A great future built on solid foundations

ANNUAL REPORT 2005

2005 was an exciting year for Telindus. Halfway through the execution of our Flagship 2006 strategic plan, it appeared that our expertise offers strategic value to various telecom operators. After an intensive bidding period, Telindus joined forces with Belgacom.

Telindus can be justifiably proud of its past, and hopeful for the future. Telindus will further develop its autonomous strategy under its own brand, with the backing of one of Europe's strongest telecom companies.

In this annual report appears our firm conviction that Telindus is heading towards a great future, built on solid foundations. The past year was, in many respects, a pivotal time in our corporate history.

Key figures

consolidated income statement

in € mio

	2005 IFRS	2004 IFRS	2003 IFRS	2002 BE GAAP	2001 BE GAAP
operating revenues	631.5	543.8	521.3	566.6	655.0
EBITDA (1)	34.3	29.6	21.0	21.6	35.5
EBITDA margin in % of operating revenues	5.4%	5.4%	4.0%	3.8%	5.4%
operating profit/(loss) before non-recurring items	6.0	1.4	-4.4	-5.8	2.6
operating profit / (loss)	-24.1	-5.3	-11.7	-5.8	2.6
profit / (loss) before tax	-27.5	-2.6	-8.7	-20.7	-10.3
net profit / (loss) - Group share	-21.1	-3.0	-10.6	-21.8	-12.9

consolidated balance sheet

in € mio

	2005 IFRS	2004 IFRS	2003 IFRS	2002 IFRS	2001 BE GAAP
total assets	724.9	637.0	616.7	529.9	569.1
current assets (excluding cash)	298.8	237.2	241.9	285.4	298.5
current liabilities (excluding borrowings)	236.3	162.1	186.7	193.9	205.0
net financial position (2)	-34.8	8.8	59.0	60.3	89.4
shareholders equity	422.8	450.5	411.4	304.2	321.0

per share information

in €

	2005 IFRS	2004 IFRS	2003 IFRS	2002 BE GAAP	2001 BE GAAP
basic EPS	-0.59	-0.08	-0.27	-0.19	0.01
basic EPS before restructuring	0.47	0.11	-0.10	-0.49	-0.32
diluted EPS	-0.59	-0.08	-0.27	-0.50	-0.32
closing share price	16.9	8.30	7.90	4.00	8.00
shareholders equity per share	11.8	11.6	10.4	7.52	7.94
gross dividend	0.00	0.00	0.12	0.00	0.15
average number of shares - basic ('000) (3)	35,742	36,577	38,865	39,630	40,111

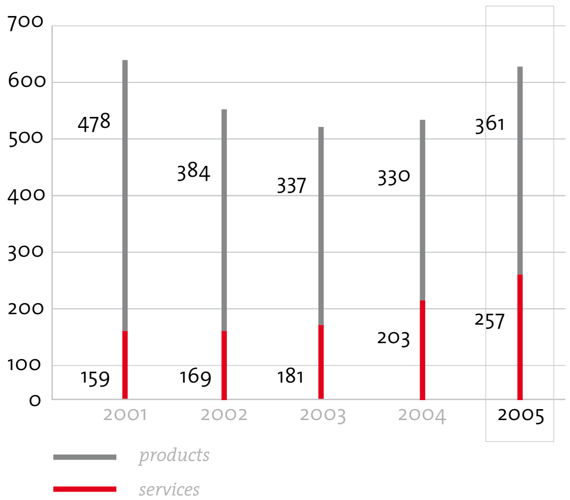
(1) operating profit / (loss) before depreciation and amortization excluding non-recurring items

(2) net of cash & cash equivalents minus short- and long-term debts

(3) based on the weighted average number of shares in issue during the year – see note 19 in financial statements regarding warrants

Turnover

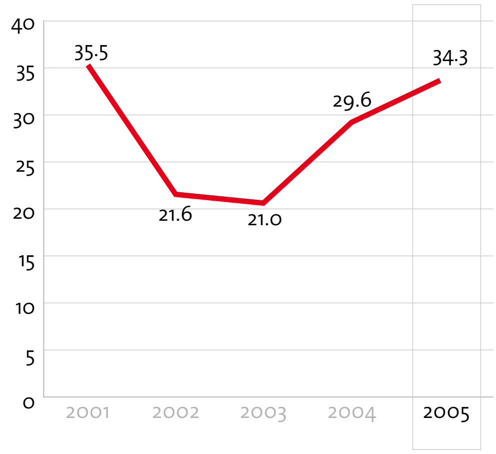
in € mio



EBITDA

before non-recurring items

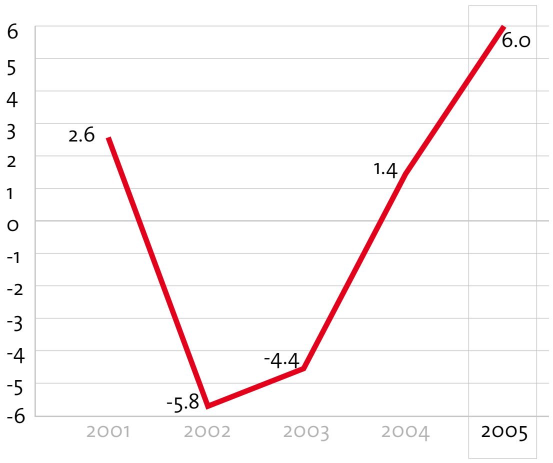
in € mio



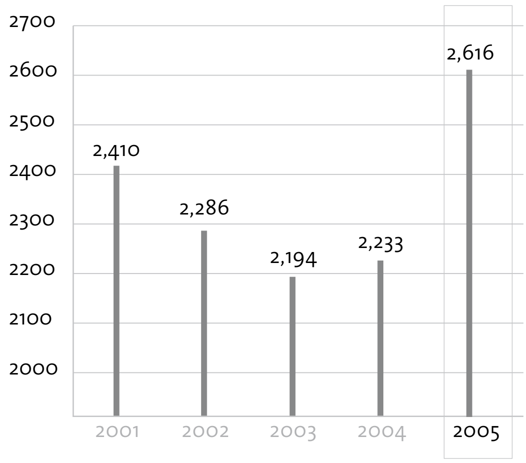
Operating profit / (loss)

before non-recurring items

in € mio



Headcount



The Telindus Group share was delisted from the Euronext Brussels Stock Exchange on 15 March 2006 following the succesful closure of Belgacom's bid on all Telindus Group NV shares.

The members of the Board and the management team of Telindus wish to thank the financial markets, in particular the investors, analysts and members of the financial press for their continued support during the 21 years of Telindus' quotation on the stock exchange.

Content

Mission

Telindus offers ICT Solutions and Services on an international level. Telindus serves business, service provider and public market needs. Telindus has been active for over 36 years and posted a turnover of EUR 618 million in 2005. With more than 2,600 employees, and headquarters in Belgium, Telindus is present in 10 countries in Western Europe and in Hungary, China and Thailand.

In January 2006, Telindus joined the leading telecommunications company in Belgium, Belgacom, to become the IT Services Branch of a new business leader in the market. Together, Belgacom and Telindus are a Belgian champion in the European IT landscape, presenting to the market a unique offering, uniting Connectivity and IT Services.

Our Vision

We envision a world where all devices will become digitally intelligent, where core business processes will be networked and organizations become part of a virtual "networked" community.

ICT solutions, services and databases will become a secured universally accessible utility.

Communication will move from contextual to spontaneous computing and will have to be seamless and real-time.

Our Mission

To be the independent trusted advisor and sourcing partner who translates business needs into secure networked ICT solutions and services.

Our Values

Telindus fosters a corporate culture that leaves ample space for people to develop their skills and expertise. Core Telindus values are:

Devotion
Work with pride, passion and belief and instigate others

Excellence
We exceed customer's expectations for maximum customer delight

Innovation
Anticipate the future

Integrity
Business ethics and clear and open communications

Leadership
Eager to compete

Team spirit
Highly efficient, transnational teams

Chairman's message

Telindus has the clear ambition to lead the way in a rapidly changing ICT environment. This ambition goes back to our early days – and I am sure it will continue to be the hallmark of this company for many years to come.

In 2004 we chose the Flagship symbol to describe our desire to shape our business model for things to come. As the world-wide markets continued their recovery in 2005, we were clearly sailing in the right direction. New business and new partnerships confirmed the team's ability to put the company on a steady course towards accelerating growth and increasing profitability.

Our partnership with Belgacom was concluded towards the end of 2005. We believe that at the end of an intensive bidding process, all stakeholders have benefited greatly from this joining of forces. Our share-holders were rewarded for the confidence they placed in our company; our management and employees received a firm commitment that their independence and modus operandi would remain intact; our customers and partners will see that one plus one, in this particular case, will indeed add up to more than two.

As a customer-oriented organi-sation, Telindus is in a strong position to capitalise on the renewed vigour in the market. That is thanks to the dedication of every single Telindus employee, whose expertise and loyalty helped us to become what we are today: **a European market leader in information & communication technology.**

The Telindus board wishes to extend its most special thanks to our customers and partners for their continued confidence in our organisation. I am sure that Telindus and Belgacom com-bined will be able to further develop these special relationships.

Finally, I would like to commemorate Norbert von Kunitzki, a loyal member of the board since 1989, and above all, a true "compagnon de route". Just as the late John Cordier, he will be in the hearts and minds at Telindus for many years to come.

Jan Steyaert
Chairman of the Board
Telindus Group NV

Message of the CEO

Information & Communication Technology made in Belgium. This is the banner under which Telindus and Belgacom combined will prove to the Belgian and international markets that our partnership brings many benefits.

Together, Belgacom and Telindus aim to become a Belgian champion with a European footprint in the ICT sector. Our partnership enables us to expand our joint offering for our customers. To accomplish this, we will use all our respective resources as effectively as possible and move full steam ahead towards convergence. Our partnership gives us a financial foundation, to consider new business opportunities and develop new shared initiatives.

With Belgacom we will pursue the path we have started in 2004. We have a Solutions and Services offering that is both independent and innovative. It is our clear commitment to continue this go-to-market strategy. We will further offer our customers the highest quality solutions for their specific business needs, even if this means shopping outside the group we now belong to. In order to safeguard our business with other operators, these activities are organised in a way that confidentiality from the remainder of the group is guaranteed through the Chinese Walls principles.

Above all, we are excited about all the innovative solutions we will be able to deliver together. The partnership with Belgacom indeed brings a whole range of new opportunities for our customers. As CEO, I have made it my personal ambition to unlock the full value that lies within this business combination. I know that more than 2,600 Telindus professionals will be there to back me on this commitment.

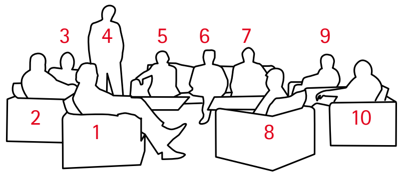
On a personal note, I would like to thank Jan Steyaert for the crucial role he has played in the success of our company. As co-founder of Telindus, our departing chairman always worked closely with John Cordier, and has experienced the highs and lows in the company's history. Apart from his outstanding professional skills, Jan Steyaert always brought a unique contribution to our corporate values as he embodies team spirit, leadership and integrity.

Ronald Everaert
for Guanxi NV
CEO Telindus Group NV

Board of directors' report

Telindus starts the third year in its FLAGSHIP 2006 plan with a solid base. Our results show the continued demand for skills in converged data, voice and video networking, security and network management, delivered throughout our international presence. We are delivering network & systems convergence skills with the highest quality and this is the key driver that enables our customers to improve their businesses.

Jan Steyaert 1
Pierre Bouckaert 2
Ronald Everaert 3
Roger Malevé 4
Carmen Cordier 5
Tom Dechaene 6
Louis Tordeurs 7
Paula Vancoppenolle 8
Luc Vansteenkiste 9
Jean-Luc Dehaene 10



Continued growth in 2005

Telindus confirms strong growth in 2005, with turnover increasing to EUR 618 million (+16% vs. 2004). This growth results from +5% internal growth and +11% growth from the acquisition of Arche Communications.
In line with the strategic plan 'FLAGSHIP 2006', turnover growth in 2005 is mainly driven by growth in Services revenues, the basis for Telindus' long-term profitability. The Recurring Operating Profit (before non-recurring items including restructuring charges) increased significantly in 2005 to EUR +6.0 million, compared to EUR +1.4 million in 2004.

As announced on October 24th, 2005, Telindus implemented a restructuring program in Q4 2005 in order to accelerate the implementation of its FLAGSHIP 2006 strategy, which brings the total of restructuring costs to EUR 13.6 million for 2005.

Other non-recurring items in 2005 amounted to EUR 24.4 million, mainly including a EUR 14.8 million non-cash cost from goodwill impairment, EUR 2.2 million amortization on intangibles related to the Arche acquisition and EUR 7.3 million defence costs related to the Tender Offer from Belgacom.

Business portfolio

Services sales increased with EUR +55 million, from EUR 202 million in 2004 to EUR 257 million in 2005 (+27% vs. 2004).

The continued implementation of the FLAGSHIP 2006 initiatives in the international subsidiaries resulted in a sustained growth in all three services activities, i.e. Consulting, Integration and Management Services.

Product sales increased with EUR +31 million, from EUR 330 million in 2004 to EUR 361 million (+9% vs. 2004).

Markets by region

The **Benelux** division continued to outperform in 2005. Mainly operators and financial institutions have placed substantial services orders with Telindus during 2005.

In **Bince**, the subsidiary in the United Kingdom posted strong results in 2005, with sound profitability. Business in

Germany remained weak, with faster than expected decline in product sales and margins.

In **South**, the market in Italy continued to be weak. In France, because of the merger between Telindus and Arche, a social plan was implemented in Q4 2005. This reduced overall headcount in France by 10%. The subsidiary in Spain achieved results above targets.

In **New Markets**, Telindus faced continued pressure on product business in China.

In the **Products Divisions**, both Telindus Access Products and Telindus Surveillance Solutions had a weak 2005, resulting in a combined loss of EUR 4.9 million. In the second semester of 2005, Telindus signed several important framework agreements for these divisions, allowing management to expect a return to profitability in 2006.

Due to the decline in product sales and margins, Italy, Germany and China generated a combined operating loss of EUR 7.4 million in 2005, excluding restructuring charges.

Main events in 2005

In 2004, management set its objectives to bring Telindus back to long-term, sustainable profitability by 2006.

The main targets for 2005 were achieved. Services sales growth exceeded the initial expectations, the recurring operating profitability level has improved substantially from EUR -4.4 million in 2003 to EUR +6.0 million in 2005 and Telindus has added a number 1 market position in France after the acquisition of Arche in June 2005.

As confirmed on the 24th of October 2005, management has implemented various initiatives to accelerate the group's profitability targets, such as refocusing on services, re-engineering, downsizing or sale/closure of offices where necessary. Therefore, management decided to implement thorough structural changes in Italy, Germany, and China.

The total restructuring cost in 2005 was EUR 13.6 million, reducing the headcount by 160 or 7% of the average headcount in 2005. In Italy, Germany and China an average decrease of 30% in headcount has been realised.

The expected savings as from January 2006 resulting from the restructuring measures are estimated at EUR 12 million on a yearly basis.

Balance sheet and cash position

End 2005, the deferred tax assets increased with EUR 8.2 million. This is mainly the result of the recognition of previously unrecognized recoverable tax losses in Belgium, following the improved outlook in the 5-year plans for this activity and the 2005 recoverable French tax losses resulting from the restructuring charge.

At end of December 2005, the net debt position of Telindus increased from EUR -8.8 million at the end of 2004 to EUR 34.8 million, mainly explained by the acquisition of ARCHE, for which Telindus had a cash out of EUR 47.6 million in June 2005.

R&D investments

Telindus develops its own access products and surveillance solutions. During the past financial year, Telindus incurred development expenditure of EUR 6.1 million (2004: EUR 7.1 million), of which it capitalized EUR 2.4 million (2004: EUR 2.8 million).
This development expenditure is recognized as an intangible asset and amortized on a straight-line basis over the estimated useful life of the related assets, not exceeding 7 years.

Goodwill impairment

The changed business environment has caused a structural organizational change of the activities in Italy, Germany and China. Management expects that these subsidiaries will return to profitability in the short term. However, the reduction of the scope of activities in these subsidiaries has caused a decrease in value, resulting in an impairment of the original goodwill accounted for. The goodwill on acquisitions in Italy, Germany and China has now been reduced to zero, with an impairment loss recognized of EUR 14.8 million.

Non-consolidated companies

Telindus has a significant financial participation in Mobistar (4.63%). Based on the market price as of 31 March 2006 (EUR 60.70 per share), the Mobistar stake represented a value of EUR 177 million. In the first half of 2005, Telindus received a gross dividend from its stake in Mobistar for an amount of EUR 5.8 million, included in the financial income.

Share cancellation and share buy-back

During 2005, Telindus Group purchased a net total of 65,000 own shares at an average price of EUR 9.0. During the first quarter of 2005, some warrants were in-the-money and certain warrant holders have exercised 31,070 warrants into new shares. This has resulted in an increase in share capital on 12 April 2005 of EUR 246,385 bringing the total number of shares in issue to 39,031,070 (+0.08% compared to end 2004).

On 27 May 2005, the General Shareholders' meeting decided to cancel 3,231,070 treasury shares (8.28% of the total shares in issue); reducing the total number of shares in issue to 35,800,000. At 31 December 2005, Telindus Group held 64,279 own shares.

Post balance sheet events

On 29 September 2005, Belgacom [Euronext Brussels:BELG], the leading telecommunications company in Belgium, launched a public offer on all Telindus Group NV shares and warrants.

On 30 December 2005, the board of Belgacom and Telindus have signed an agreement on a partnership, which will preserve Telindus as a separate company with its own brand, identity, culture and values within the Belgacom Group. The key elements of this agreement are: the continuation of the international strategy of Telindus, the optimization of synergies notwithstanding 'Chinese Walls', respect of the standing Human Resources policies at Telindus and Telindus becoming the vehicle of growth in which Belgacom will concentrate all its IT Services business.

The bid has been closed successfully in 2006 with Belgacom holding at 28 March 2006 100% of the Telindus Group shares in issue. With a bid price offered at EUR 16.60 per share, this price represents a premium of 53 % on the average share price over 2005.

Belgacom will consolidate the Telindus Group NV results as from 1 January 2006.

On 23 February 2006, the board of Telindus Group NV decided to co-opt four new directors:
Didier Bellens,
CEO & President of Belgacom
Ray Stewart,
CFO of Belgacom
Scott Alcott,
COO Fixed Line Services of Belgacom
William Mosseray,
Chief Strategy Officer of Belgacom.

They replace Paula Vancoppenolle, Norbert von Kunitzki†, Louis Tordeurs and Roger Malevé as directors of the company.

As from 26 May 2006, Jan Steyaert, Chairman of the board, will retire from the board.

In January 2006, Telindus Group acquired the remaining 4% minority shares in Telindus (Thailand) Ltd at a consideration of EUR 0.1m. In the course of 2005, the Group had acquired already an additional stake of 16% by paying uncalled capital of EUR 0.7m, including the minority shareholders' part.

In February 2006 Telindus Group increased, at zero cost, its stake in Telindus Ltd, its subsidiary in Hong Kong, from 75.5% to 94.5% in line with existing call rights.

Financial instruments

In connection with the use of financial instruments, article 119 of the Corporate Law requires disclosure of the entity's exposure to financial risks and a description of the entity's objectives and policies to manage these risks. In respect of this disclosure, we refer to note 4 of the financial statements included in this annual report.

Additional tasks

Pursuant to article 134§2 of the Company Code, other additional services during the 2005 financial year were performed by the statutory auditor or by companies with which the statutory auditor has concluded cooperation agreements. These other additional services were related to other legal assignments, additional reporting to the CBFA (Commissie voor het Bank-, Financie- en Assurantiewezen) and seminars given. The fees attached to these missions amounted to EUR 30,587.

Outlook 2006

Telindus' management expects to continue the current growth trend in the coming years.

The profitability will continue to improve towards the targets defined in the FLAGSHIP 2006 strategic plan, driven by the continued growth in services and the positive cost effect of the restructuring plans implemented in several regions in 2005.

Heverlee, 26 April 2006

Business & Organisation

As more and more devices become digitally intelligent, and more business processes become networked, the more important it is that companies work with an independent, trusted partner to find the right solution for their 'networked community'. As a central part of our FLAGSHIP 2006 strategic plan, we have developed a unique portfolio driven by our customers' current and future needs.

ICT Solutions

As a trusted advisor, Telindus includes long-term architecture design & guidance, and at the same time translates your business strategy into an efficient ICT strategy.

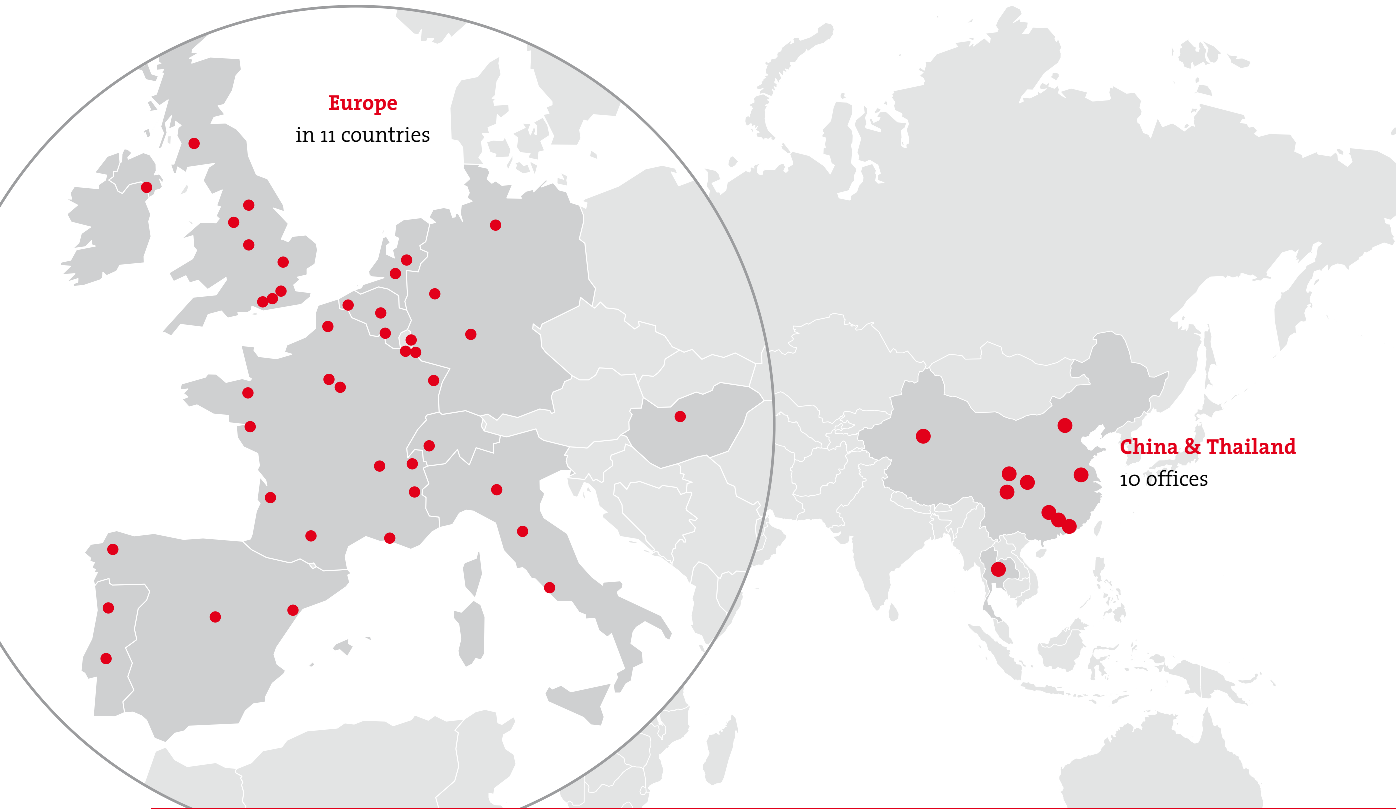
These end-to-end and cross-domain solutions ensure our customers of:
- Effective management of the total ICT infrastructure
- Tools to contain, manage and monitor threats and risks
- Ways to leverage business applications more efficiently

ICT Sourcing

As a sourcing partner, Telindus goes one step further and offers the market the advantages of sourcing out various parts of your business and ICT processes.
In our ICT Sourcing offering, we use transparent services and pricing schedules that help our customers predict and control the long-term costs.

For this, we have developed a unique aproach allowing our customers to :
- Set the objectives
- Have the technology, expertise, people and processes delivered by Telindus
- Set out an analytical and innovative framework to make sure the business processes and technologies are fully aligned

ICT Solutions	ICT Sourcing
Application Integration	Full Sourcing
Converged Applications	Selective Sourcing
System Infrastructure	Sourcing Services
Network Infrastructure	
Safety & Security	

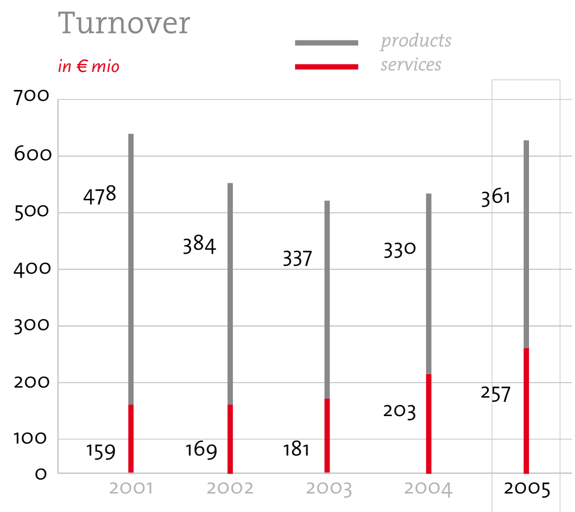


Region	Countries	% 2005 turnover
Benelux	Belgium – Netherlands – Luxemburg	45%
South	France – Spain – Italy – Portugal	35%
Bince	United Kingdom – Germany	14%
New Markets	China – Thailand – Hungary – Rest of world	6%

Our international presence

With a highly skilled international team of 2,600 employees, Telindus is present through 43 offices in 10 countries in Western Europe and in Hungary, China and Thailand. Telindus is headquartered in Belgium. Telindus' in-house developed Products, Telindus Access Products and Telindus Surveillance Solutions are distributed throughout the world over a network of more than 50 distributors in all continents of the globe.

Telindus' worldwide business is split into four geographical regions, each headed by a Regional Vice President.



"For the last 6 years, I have discovered Telindus as an organisation that wears its values high on its banner. Although the ICT industry is one of the most competitive in the global economy, management has always kept their eye on the long term. Clients, partners, employees, all are familiar with the Leitmotiv of the group: you never back down on a promise."

Jean-Luc Dehaene
Independent Director
Telindus Group NV

Corporate Governance

Telindus' governance model is based on the Belgian Corporate Governance Code of the Lippens Committee. Moreover, since the acquisition of Telindus by Belgacom NV, the company also complies with the internal rules of the Belgacom Group, which require additional approvals for certain decisions.

Board of Directors

The board of directors determines the general corporate strategy and decides all major investments, such as acquisitions, disposals and restructurings in consultation with its shareholder Belgacom NV. It approves and controls the budget and the group's financial statements and information. The board oversees relationships with shareholders and monitors bonus plans. The board decides on the executive management structure and determines the powers and duties entrusted to the executive committee. It monitors the financial performance of the group and discusses the financial results of all subsidiaries at least on a quarterly basis. The board follows the major business projects and regularly invites members of the management team to give presentations on specific issues. The board supervises the executive committee and appoints its members.
On 23 February 2006, the board of Telindus Group NV decided to co-opt four new directors:

Didier Bellens,
CEO & President of Belgacom,
Ray Stewart,
CFO of Belgacom
Scott Alcott,
COO Fixed Line Services of Belgacom
William Mosseray,
Chief Strategy Officer of Belgacom.

They replace Paula Vancoppenolle, Norbert von Kunitzki†, Louis Tordeurs and Roger Malevé as directors of the company.

Board members until 23 February 2006

Director	Position Board	Main Position	Appointed until AGM on financial year ending
Jan Steyaert	Non-executive	Chairman	31 December 2005
Louis Tordeurs	Non-executive	Vice Chairman	31 December 2009
Norbert Von Kunitzki † *(deceased on 25 Nov 2005)*	Independent Director	Vice Chairman	31 December 2006
Jean-Luc Dehaene	Independent Director	Director	31 December 2009
LMCL CV, represented by Luc Vansteenkiste	Independent Director	Director	31 December 2006
BVBA Carthagon, represented by Tom Dechaene	Independent Director	Director	31 December 2006
Pierre Bouckaert	Non-executive	Director	31 December 2008
Paula Vancoppenolle	Non-executive	Director	31 December 2009
Carmen Cordier	Executive Director	Director Vice President Strategy Telindus Group	31 December 2009
Guanxi NV, represented by Ronald Everaert	Executive Director	Director CEO & President Telindus Group	31 December 2006
Roger Malevé	Executive Director	Director	31 December 2005

Board members as from 23 February 2006

Director	Position Board	Main Position	Appointed until AGM on financial year ending
Jan Steyaert (*)	Non-executive	Chairman	31 December 2005
Didier Bellens	Executive Director	CEO & President Belgacom	31 December 2005
Ray Stewart	Executive Director	CFO Belgacom	31 December 2005
Scott Alcott	Executive Director	COO Belgacom	31 December 2005
William Mosseray	Executive Director	Chief Strategy Officer Belgacom	31 December 2005
Guanxi NV, represented by Ronald Everaert	Executive Director	Director CEO & President Telindus Group	31 December 2006
Carmen Cordier	Executive Director	Director Vice President Strategy Telindus Group	31 December 2009
Jean-Luc Dehaene	Independent Director	Director	31 December 2009
LMCL CV, represented by Luc Vansteenkiste	Independent Director	Director	31 December 2006
BVBA Carthagon, represented by Tom Dechaene	Independent Director	Director	31 December 2009
Pierre Bouckaert	Non-executive	Director	31 December 2008

(*) As from 26 May 2006, Jan Steyaert, Chairman, will retire from the board.

The board meets on a regular basis and is generally convened by the chairman. A board meeting can also be called by two directors. In 2005, the board met 17 times.

The board proposes to the general assembly a remuneration of EUR 355,000 for the non-executive directors for their services in 2005.

Shareholdings at 31 December 2005

Based on the received transparency declarations, the major shareholders of the Telindus Group at 31 December 2005 were:

Following a public take-over bid and subsequent squeeze-out, Belgacom NV became the sole shareholder of Telindus on 28 March 2006.

Cordier Group	8,308,085	23.21%
Mellon HBV	1,943,070	5.43%
Trident European Fund	1,155,130	3.23%
Treasury shares	64,279	0.18%
Free Float	24,329,436	67.96%
Total	35,800,000	

Audit Committee

The audit committee assists the board in ensuring the integrity of the financial information and reporting of and within the Telindus Group. It monitors the internal and external audits of the Group and follows up their recommendations. The committee reviews the internal control and risk management systems of the Group with a view to ensuring that its main risks are identified, managed and disclosed. The audit committee has three members which have been selected on the basis of their particular skills. The committee consists exclusively of non-executive members: Pierre Bouckaert, Jan Steyaert and Carthagon BVBA, represented by Tom Dechaene. The Audit committee is chaired by Pierre Bouckaert. The audit committee met 4 times in 2005. The internal and external auditors are regularly invited to the meetings of the audit committee.

Nomination and Remuneration Committee

The nomination and remuneration committee advises on the remuneration policy for non-executive directors and the executive management. The committee manages all option and warrant schemes and determines the criteria for bonus plans. Since the entry into force of the Corporate Governance Code, the Committee also assists the board with regard to the appointment of directors and senior management.

The committee is chaired by a non executive director; Jan Steyaert, and has two independent members, LMCL CV represented by Luc Vansteenkiste, and Jean-Luc Dehaene.
The committee met 2 times in 2005.

Telindus Executive Committee

The Group is managed by the Executive Committee, which meets every fortnight. The Executive Committee is chaired by the CEO, Guanxi NV represented by Ronald Everaert. The other members are:

Edwin Bex,
Vice President Finance

JDS Consult vof,
represented by Jan De Schepper,
Vice President Benelux and Managing Director Belgium

René Lathouwers,
Vice President Technology and Engineering

Guy Vanderlinden,
Vice President New Markets

Andy Zynga,
Vice President BINCE & Solutions

Associatie D'Helft bvba,
represented by Koenraad D'Helft,
Group HR Director
(since 23 February 2006)

The Executive Committee is entrusted with the general management of the Group and is accountable to the board of directors. Its powers, responsibilities and duties are determined by the board and specified in the corporate governance charter available on the corporate website. Two members of the Executive Committee have the power to represent the company for matters within the Executive Committee's authority.

In 2005, the members of the Executive Committee and the executive directors received a total remuneration of EUR 2,156,000.

The members of the Executive Committee did not receive any options, warrants or shares in 2005.

Conflict of interest

The Belgian Companies Code provides for a special procedure if a director has a conflict of interest. The Board applied this procedure only once in the course of 2005 in relation to the following decision:

Excerpt from the board minutes of 5 October 2005:

"Tom Dechaene informed the board that he had a conflict of interest in the sense of section 523 of the Companies Code. The board consequently applied the procedure provided for in section 523 of the Companies Code.

Procedure section 523 Companies Code:

Notification
Carthagon BVBA, represented by Tom Dechaene, informed the board that the procedure of section 523 of the Companies Code needed to be followed.

Application of the Procedure Section 523 Companies Code
The company wished to call upon the services of Carthagon BVBA for advice and follow-up in relation to the take-over bid launched by Belgacom. Carthagon BVBA is also a director of the Company.

The auditor of the Company would be informed of the conflict of interest. Carthagon BVBA left the meeting during the deliberation and decision on this item on the agenda.

Reasons for the Conflict of Interest and Justification of the Decision
The conflict of interest resulted from the fact that BVBA Carthagon, a director, would also provide services as advisor. The representative of BVBA Carthagon, Mr. Tom Dechaene, previously worked as investment banker and had a particular experience with this kind of transactions. The particular know-how of Tom Dechaene will be extremely useful for the Company in the current circumstances. The board or directors believed that appointing Carthagon BVBA, represented by Tom Dechaene, as adviser was in the Company's interest.

Financial Implications for the Company
Carthagon BVBA would receive a fee of EUR 50,000 (exclusive of VAT). It was agreed that if the intensity of the transaction and the implication of BVBA Carthagon would justify a higher fee, a possible fee increase would be submitted to the board. The board was convinced that such a fee was in accordance with the market.

Corporate Interest
Having regard to the foregoing, the board decided that the decision was in the interest of the Company.

The board unanimously (taking into account the absence of Carthagon BVBA) decided to call upon the services of Carthagon BVBA as advisor of the Company, in consideration of a fee of EUR 50,000."

The fee of EUR 50,000 was subsequently increased by a decision of the board of 17 January 2006, so that the total fee paid to Carthagon BVBA amounted to EUR 64,700.

Statutory Auditor

The financial statements of the Telindus Group have been audited by Ernst & Young Company Auditors, Marcel Thirylaan 2004, 1200 Brussels, represented by Jan De Luyck. The company's statutory auditor has issued an unqualified audit opinion on both the consolidated financial statements and the unconsolidated financial statements of Telindus Group NV.

This annual report contains a full version of the Telindus Group consolidated financial statements. A shortened version of the unconsolidated financial statements has been added, as required by Article 105 of the Belgian Companies Code. The company's consolidated and unconsolidated financial statements will be deposited with the Belgian National Bank in June 2006, and will also be available at the company's headquarters, Geldenaaksebaan 335, 3001 Heverlee, Belgium.

"A company is as strong as the market requires it to be. At Belgacom, we have evolved steadily to become the customer-oriented organisation that we are today. Competing with Telindus in the corporate segment has stimulated us to reach that point. Joining forces at the start of 2006 has been a milestone. Along with the management teams of both companies, I am convinced that together we can bring the true force of innovation to the market."

Didier Bellens
President & CEO
Belgacom

Corporate Social Responsibility

Responsible undertakings

As one of the leading ICT companies in Europe, Telindus takes up the role on the level of Corporate Social Responsibility (CSR). This movement to more consciously responsible undertakings is now strengthened through entry in the Belgacom group, where CSR is more than a vague idea.

CSR involves the contribution that a company delivers to society as a whole. The most obvious contribution of Telindus is in its activities designed to create value, business opportunities, and innovation. The approach to CSR goes even further, so that a company also contributes to the environment in all its forms, and to the people inside the company.

Environment

For Telindus, CSR is nothing new.
The most visible element of Telindus' concerns is in the integrated policy on quality, safety, and environment that exists since 2004. The management system linked to this policy ensures the delivery of high-quality, safe, and environmentally friendly products and services.

The integrated policy administers the three pillars of CSR: planet, profit, and people, through formalising these principles in related systems such as:

- ISO 14001 (environmental standards)
- ISO 9001 (quality standards) and
- VCA (safety)

Moreover, the 3 P's are part of Telindus' supplier selection procedure for strategic vendors.

Society

Telindus goes a step further and consciously chooses to provide an extra contribution to society. Telindus has developed a number of points around the theme "people," with emphasis on the subject of diversity.

From this point of view, Telindus fully participates in the new diversity policy, which was outlined by Belgacom. In 2006, the diversity plan will be focused on the proportions of both male/female and foreign/native employees.

The benefit of the diversity plan will receive subsidies from the European Social Fund.

Innovation

Telindus supports knowledge and innovation and shares these principles with others as a matter of course. One of these actions revolves around the creation of vocational training for the unemployed. The training will be conducted at the John Cordier Academy and a number of the trainees could become employed by the Belgian division of Telindus.

Integrated Quality, Safety and Environmental Policy

Telindus is a customer focused organization. We are committed to delivering to our customers secure network-based ICT solutions and services that meet the mutually agreed requirements.

Telindus provides healthy and safe workplaces by minimizing and isolating the risks for its employees, contractors and visitors.

We recognize our duty to protect the environment and constantly review all operations and practices to ensure that our processes have a minimum impact on the environment. We will take steps to prevent pollution, conserve resources and energy, minimise emissions and waste, and to recycle our products and waste where environmentally practicable.

Therefore, we commit to respect all requirements agreed upon with our customers and to apply all applicable regulations and standards.

We shall implement an Integrated Management System in compliance with ISO9001:2000, VCA2004/04 and ISO14001 :2004.

We continuously improve our Integrated Management System, which is why we review and audit our system. Furthermore, we monitor and analyse our performance and the feedback received from customers, employees, and other stakeholders in order to identify our quality, safety and environmental objectives and targets.

The Telindus management will ensure that this policy is communicated and understood in the organization and that effective management systems are implemented.

Business & Society

To assist Telindus in all of these developments, Telindus is a member of Business & Society Belgium, a syndicate that promotes socially responsible undertakings in Belgium. As a member, the management team of Telindus has signed the Business & Society Charter.

With these actions involving socially responsible undertakings, Telindus does its part to contribute to positive developments in our society.

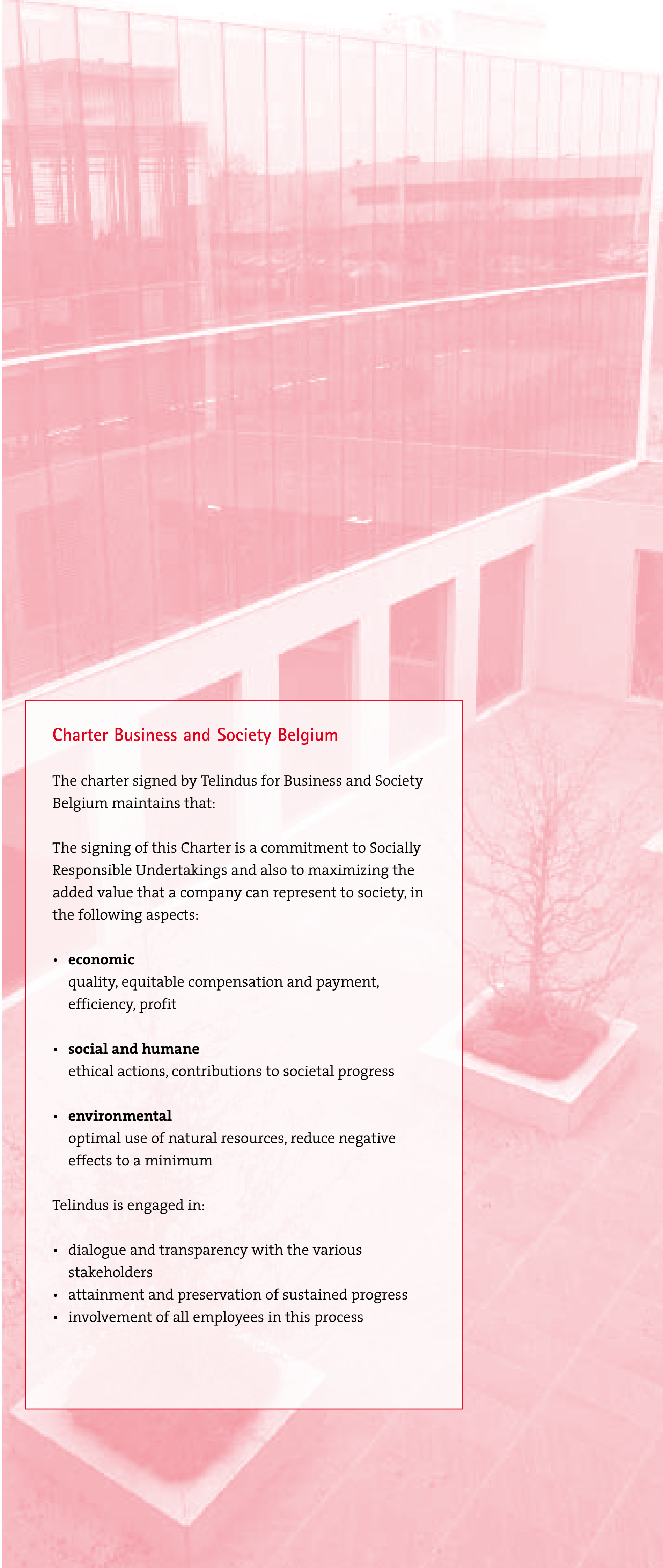
Integrated Management System

For 2006, Telindus expects that

- 28% of our turnover will be covered by the ISO 14001 - environmental standard

- 37% of our turnover will be covered by the VCA – safety standard

- 98% of our turnover will be covered by the ISO 9001:2000 - quality standards



Charter Business and Society Belgium

The charter signed by Telindus for Business and Society Belgium maintains that:

The signing of this Charter is a commitment to Socially Responsible Undertakings and also to maximizing the added value that a company can represent to society, in the following aspects:

- **economic**
  quality, equitable compensation and payment, efficiency, profit

- **social and humane**
  ethical actions, contributions to societal progress

- **environmental**
  optimal use of natural resources, reduce negative effects to a minimum

Telindus is engaged in:

- dialogue and transparency with the various stakeholders
- attainment and preservation of sustained progress
- involvement of all employees in this process

Information for the shareholder

Share capital

In the course of 2005, Telindus Group purchased a net total of 65,000 own shares at an average price of EUR 9.0. During the first quarter of 2005, warrant holders exercised their rights and 31,070 new shares were issued, and the share capital was increased on 12 April 2005 with EUR 246,385 bringing the total number of issued shares to 39,031,070 (+0.08% compared to end 2004).

On 27 May 2005, the General Shareholders' meeting decided to cancel 3,231,070 treasury shares (8.28% of the total issued shares); reducing the total number of issued shares to 35,800,000. On 31 December 2005, Telindus Group NV held 64,279 own shares.

Public offer from Belgacom

On 29 September 2005, Belgacom SA/NV [Euronext Brussels:BELG], the leading telecommunications company in Belgium, launched a public offer on all Telindus Group NV shares and warrants.

On 30 December 2005, the board of Belgacom and Telindus signed an agreement on a partnership, which will preserve Telindus as a separate company with its own brand, identity, culture and values within the Belgacom Group. The key elements of this agreement are: the continuation of the international strategy of Telindus, the optimization of synergies notwithstanding 'Chinese Walls', respect of the standing Human Resources policies at Telindus and Telindus becoming the vehicle of growth in which Belgacom will concentrate all its IT Services business.

Belgacom now holds 100% of the Telindus Group shares after a squeeze-out bid which closed on 28 March 2006. The offer price was EUR 16.60 per share, which represented a premium of 53 % on the average share price in 2005 before Belgacom's public take-over bid.

Belgacom will consolidate the Telindus Group NV results as from 1 January 2006.

Shareholders represented in the board

On 6 January 2006 all the shareholders represented in the board of Telindus Group nv tendered their shares (i.e. 21.5 % of shares in issue) in the public offer launched by Belgacom SA/NV [Euronext Brussels:BELG]. Telindus Group NV also tendered the treasury shares (i.e. 0.18% of shares in issue) to the Belgacom offer.

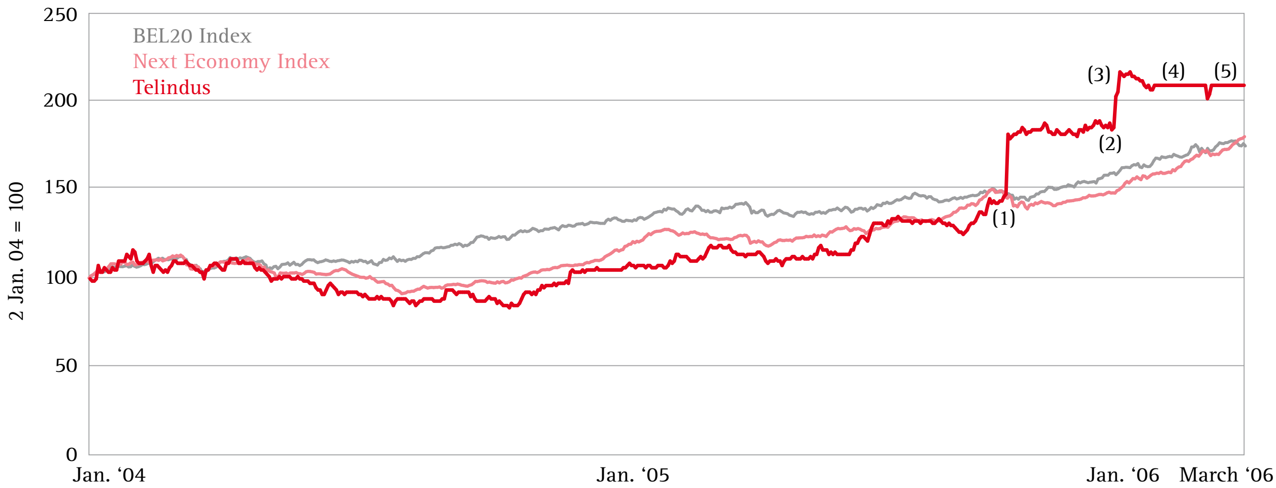
Warrant holders

After the closing of this squeeze-out bid on 28 March 2006, all warrants are deemed to be transferred to Belgacom automatically and by operation of the law. Belgacom has paid a price between between EUR 0.27 and EUR 9.55 per warrant, depending on the class of warrant

Consequently to the squeeze-out bid, Telindus Group NV has been delisted from the Euronext Brussels Stock Exchange on 14 March 2006.

The members of the Board and the management team of Telindus wish to thank the financial markets, in particular the investors, analysts and members of the financial press for their continued support during the 21 years of Telindus' quotation on the stock exchange.

Year	Period	High Euro	Low Euro	End Euro	Average daily trading volume (in numbers of share)
2006	Q1	16.80	16.03	16.55	29,002
2005	Q4	17.20	14.20	16.90	266,810
	Q3	14.40	9.90	14.40	116,248
	Q2	10.38	8.51	10.38	59,025
	Q1	9.40	8.27	8.98	49,046
2004	FY	9.15	6.61	8.30	47,610
2003	FY	7.95	3.40	7.90	47,712
2002	FY	8.65	3.40	4.00	34,700
2001	FY	19.40	6.87	8.00	64,099
2000	FY	30.20	16.69	17.75	55,484
1999	FY	30.40	17.62	23.60	58,989



(1) 30 September 2005 *Public offer from Belgacom at EUR 13.50*
(2) 14 December 2005 *Counter offer from France Télécom at EUR 15.80*
(3) 15 December 2005 *Higher offer from Belgacom at EUR 16.60*
(4) 6 January 2006 *Successful closure of Belgacom's offer*
(5) 15 March 2006 *Squeeze-out bid and delisting*

"Our customers are excited about this new step in Telindus' history. The combination of best-in-class Telco and IT Services is a clear driver for their business models.

We are looking forward to the value that this unique combination will bring .

Since 2006, the quality label *Made in Belgium* is now also reflected in the ICT market in Italy."

Monica Belloni
Marketing Manager
Telindus Italy

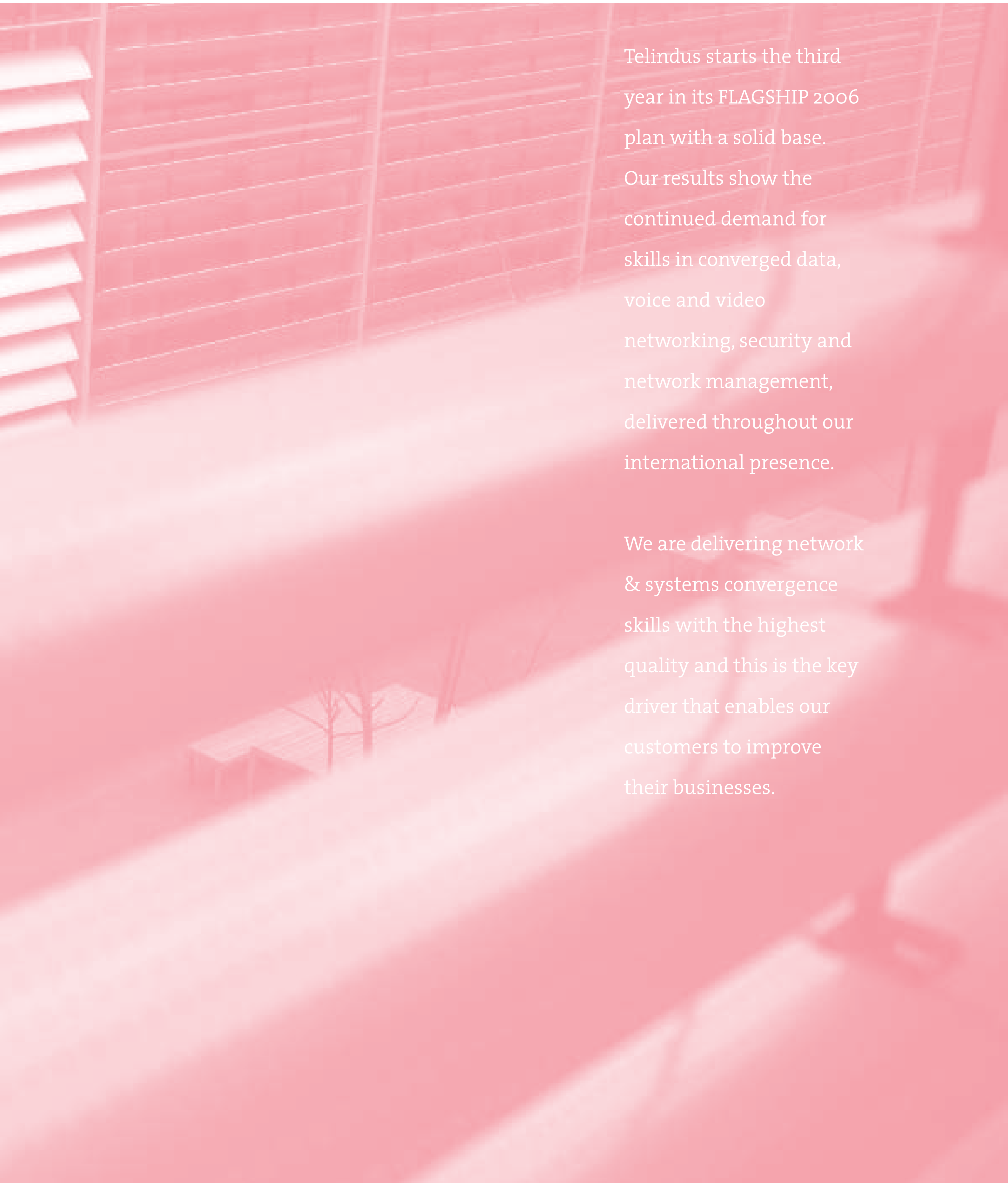
I must admit it took me some time to understand the impact of being taken over by one of our major competitors.

Today my worries are completely dissolved as I learned that together with Belgacom, we will become one of the major players in the industry in Belgium.

No other company in the market has all the assets in place to drive the ICT market into the next decade.

Pascal Vanswegenhoven
Account Manager Finance
Telindus Belgium

Financial results 2005



Telindus starts the third year in its FLAGSHIP 2006 plan with a solid base. Our results show the continued demand for skills in converged data, voice and video networking, security and network management, delivered throughout our international presence.

We are delivering network & systems convergence skills with the highest quality and this is the key driver that enables our customers to improve their businesses.

Consolidated income statement

Year ended 31 December

€'000

	Notes	2005 IFRS	2004 IFRS	2003 IFRS
Operating revenues		**631,478**	**543,834**	**527,313**
Turnover		617,860	532,135	518,077
Other operating income	7	13,618	11,699	9,236
Operating charges before restructuring	8	**(625,431)**	**(542,480)**	**(531,714)**
Goods for resale, raw materials and consumables		(370,415)	(320,519)	(325,339)
Services and other goods	9	(66,238)	(59,688)	(53,397)
Personnel costs	10	(156,546)	(132,572)	(125,155)
Depreciation and amortization	11	(28,291)	(28,268)	(26,561)
Provisions and allowances	12	893	(19)	1,131
Other operating charges		(4,834)	(1,414)	(2,393)
Operating profit/(loss) before non-recurring items		**6,047**	**1,354**	**(4,401)**
Restructuring charges	13	(13,602)	(6,946)	(6,835)
Impairment loss on investments	16	(14,830)	0	(461)
Gain/(loss) on disposal of consolidated investments	15	442	244	0
Amortization of intangible from acquisition	21	(2,188)	0	0
Operating profit/(loss)		**(24,131)**	**(5,348)**	**(11,697)**
Financial income and (charges)	14	4,421	2,719	3,017
"Buy-out related costs"	17	(7,813)	0	0
Profit/(loss) before tax		**(27,523)**	**(2,629)**	**(8,680)**
Income taxes	18	6,923	(1,108)	(1,108)
Consolidated profit/(loss) for the year		**(20,600)**	**(3,737)**	**(9,788)**
Attributable to:				
Equity holders of the parent		(21,050)	(3,014)	(10,558)
Minority interests		450	(723)	770
Earnings per share (in €)	19			
Basic		(0.59)	(0.08)	(0.27)
Diluted		(0.59)	(0.08)	(0.27)

Consolidated balance sheet

Year ended 31 December

€'000

	Notes	2005 *IFRS*	2004 *IFRS*	2003 *IFRS*
Non-current assets		**406,135**	**378,152**	**309,019**
Goodwill	21	83,304	64,514	64,514
Intangible assets	22	19,793	13,020	13,164
Property, plant and equipment	23	85,337	85,634	90,157
Available-for-sale investments	24	196,049	201,565	130,492
Deferred tax assets	25	21,652	13,419	10,692
Current assets		**318,715**	**258,895**	**307,718**
Inventories	26	34,824	21,042	27,476
Contracts in progress	27	374	4,665	8,263
Trade and other receivables	28	259,914	210,758	205,039
Current tax assets		3,720	782	1,186
Cash and cash equivalents	30	19,883	21,648	65,754
Total assets		**724,850**	**637,047**	**616,737**
Shareholders' equity		**422,769**	**450,494**	**411,350**
Share capital	32	134,551	134,444	134,444
Share premium		143,197	143,058	143,058
Treasury shares	33	(515)	(25,793)	(7,025)
Revaluation reserves	34	179,627	185,323	113,900
Translation reserves		(983)	(315)	(634)
Other reserves		22,958	22,958	22,958
Retained earnings		(56,066)	(9,181)	4,649
Minority interests		**5,617**	**5,283**	**5,578**
Total equity		**428,386**	**455,777**	**416,928**
Non-current liabilities		**34,192**	**7,816**	**8,683**
Provisions	35	3,689	2,685	3,092
Borrowings due after one year	31	28,732	1,446	2,347
Deferred tax liabilities	25	1,771	3,685	3,244
Current liabilities		**262,272**	**173,454**	**191,126**
Provisions	35	8,355	2,248	3,195
Borrowings due within one year	31	25,991	11,379	4,388
Trade and other payables	37	225,047	156,478	180,158
Current tax liabilities		2,879	3,349	3,385
Total equity and liabilities		**724,850**	**637,047**	**616,737**

Consolidated cash flow statement

year ended 31 December

€'000

	Notes	2005 *IFRS*	2004 *IFRS*	2003 *IFRS*
Profit/(loss) before tax		(3,135)	(2,629)	(8,680)
Depreciation and amortization		28,291	28,268	26,561
Provisions and allowances		8,361	(695)	(642)
Revaluation of available-for-sale investments			(244)	461
Adjustment for dividends received		(4,381)		
Income taxes paid		(1,282)	(3,406)	(1,368)
Total before change in working capital		**27,854**	**21,294**	**16,332**
(Increase)/decrease in inventories		(11,929)	5,679	20,663
(Increase)/decrease in contracts in progress		4,291	3,568	(4,023)
(Increase)/decrease in trade and other receivables		(42,964)	(5,025)	23,062
Increase/(decrease) in trade and other payables		48,225	(19,893)	(8,584)
Change in working capital		**(2,377)**	**(15,671)**	**31,118**
Cash flow from operating activities		**25,477**	**5,623**	**47,450**
Acquisition of intangibles		(7,488)	(4,954)	(6,914)
Acquisition of property, plant and equipment		(18,737)	(18,404)	(34,667)
Acquisition of subsidiaries, net of cash acquired		(42,972)	(3,592)	(182)
Acquisition of available-for-sale investments		(180)	(150)	0
Sale of available-for-sale investments		0	163	0
Net dividend received		4,381	0	0
Cash flow from investing activities		**(64,996)**	**(26,937)**	**(41,763)**
Capital increase		246		
Proceeds/(repayments) of borrowings		38,080	6,130	(9,272)
Dividends paid		13	(4,269)	0
Acquisition of treasury shares		(585)	(24,653)	(1,176)
Cash flow from financing activities		**37,754**	**(22,792)**	**(10,448)**
Net cash flow		**(1,765)**	**(44,106)**	**(4,761)**
Cash and cash equivalents				
At the beginning of the period		21,648	65,754	70,515
At the end of the period		19,883	21,648	65,754

Consolidated statement of changes in equity

	Attributable to equity holders of the parent								Minority interests	Total equity
€'000	Share capital	Share premium	Treasury shares	Revaluation reserves	Translation reserves	Other reserves	Retained earnings	Total		
1 January 2003	**134,444**	**143,058**	**(10,579)**	**50,190**	**0**	**20,081**	**20,572**	**357,766**	**5,194**	**362,960**
Net profit/(loss)							(10,558)	(10,558)	770	(9,788)
Fair value changes in available-for-sale assets				63,710				63,710		63,710
Acquisition of treasury shares			(1,178)					(1,178)		(1,178)
Cancellation of treasury shares			4,732				(4,732)	0		0
Exchange differences on foreign operations					(634)			(634)	(14)	(648)
Dividend								0		0
Transfers						2,878	(2,878)	0		0
Other						(1)	2,245	2,244	(372)	1,872
31 December 2003	**134,444**	**143,058**	**(7,025)**	**113,900**	**(634)**	**22,958**	**4,649**	**411,350**	**5,578**	**416,928**
1 January 2004	**134,444**	**143,058**	**(7,025)**	**113,900**	**(634)**	**22,958**	**4,649**	**411,350**	**5,578**	**416,928**
Net profit/(loss)							(3,014)	(3,014)	(723)	(3,737)
Fair value changes in available-for-sale assets				71,423				71,423		71,423
Acquisition of treasury shares			(24,653)					(24,653)		(24,653)
Cancellation of treasury shares			5,885				(5,885)	0		0
Exchange differences on foreign operations					319			319	75	394
Dividend							(4,578)	(4,578)		(4,578)
Transfers								0		0
Other							(353)	(353)	353	0
31 December 2004	**134,444**	**143,058**	**(25,793)**	**185,323**	**(315)**	**22,958**	**(9,181)**	**450,494**	**5,283**	**455,777**
1 January 2005	**134,444**	**143,058**	**(25,793)**	**185,323**	**(315)**	**22,958**	**(9,181)**	**450,494**	**5,283**	**455,777**
Net profit/(loss)							(21,050)	(21,050)	450	(20,600)
Fair value changes in available-for-sale assets				(5,696)				(5,696)		(5,696)
Acquisition of treasury shares			(585)					(585)		(585)
Cancellation of treasury shares			25,863				(25,863)	0		0
Exchange differences on foreign operations					(668)			(668)	(84)	(752)
Dividend								0		0
Transfers								0		0
Capital increase	107	139						246		246
Other							28	28	(32)	(4)
31 December 2005	**134,551**	**143,197**	**(515)**	**179,627**	**(983)**	**22,958**	**(56,066)**	**422,769**	**5,617**	**428,386**

Notes to the Consolidated Financial Statements

1 Identification

Telindus Group NV (the "Company") is a limited liability company ("naamloze vennootschap" / "société anonyme") incorporated in Belgium and registered at Geldenaaksebaan 335, 3001 Heverlee. Its company number is BE422.674.035.

The consolidated financial statements for the year ended 31 December 2005 comprise Telindus Group NV and its subsidiaries (together referred to as "Telindus" or "the Group"). Comparative figures are for the financial year commenced on 1 January 2004 and ended 31 December 2004.

The consolidated financial statements were authorised for issue by the Directors at the Board Meeting of April 26, 2006 and approved by the shareholders at the Annual General Meeting of May 26, 2006. A list of the Directors and statutory auditor ("commissaris" / "commissaire"), as well as a description of the principal activities of the Group, are included in the non-financial section of this annual report.

In February 2006, Telindus Group NV was acquired by the leading telecommunications company in Belgium, Belgacom [Euronext Brussels: BELG].
Belgacom holds 100% of the Telindus Group shares after a squeeze-out bid which closed on 28 March 2006.

2 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that were in issue at 31 December 2005.

3 Summary of Significant Accounting Policies

(i) Basis of preparation

The financial statements are prepared on the historical cost basis, except for the measurement at fair value of available-for-sale investments and derivative financial instruments.

(ii) Principles of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by Telindus Group ("the Group"). Control exists when the Group has an interest of more than one half of the voting rights of an enterprise or otherwise has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences (or a date nearby) until the date that control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Joint ventures

Joint ventures are those enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the enterprise's assets, liabilities, revenue and expenses, from the date that joint control commences (or a date nearby) until the date that joint control ceases. Intra-group balances, transactions and unrealised gains are eliminated in the consolidated financial statements in proportion to the Group's interest in the joint venture.

(iii) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to euro at an average rate that approximates the foreign exchange rate ruling in the period in which the transaction has taken place. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. All foreign exchange gains and losses arising on this translation and from the settlement of the transactions, are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to euro at the foreign exchange rate ruling at the date of the transaction.

Financial statements of subsidiaries

The assets and liabilities of subsidiaries stated in foreign currencies are translated to euro at foreign exchange rates ruling at the balance sheet date. Goodwill and fair value adjustments related to the acquisition of foreign subsidiaries are translated at the historical rate at the date of acquisition and therefore no exchange differences arise. Revenues and expenses are translated to euro at the average rate for the period. Foreign exchange differences arising on translation are recognised directly in equity. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(iv) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Additionally, the following criteria must be met:

Sale of products

Revenue from the sale of products is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Contractual service fees

Revenue from maintenance contracts and other service contracts for which a specific service is delivered during a contractually agreed period of time, is recognised on a straight-line basis over the term of the service contract.

Consulting and network integration services

Revenue from consulting and network integration services, such as project management and installation of equipment, is recognised in the income statement according to the percentage of completion method. The stage of completion is measured by reference to the proportion of service costs incurred to date over the estimated total service costs for each project.

Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use. In the Telindus business, a construction contract typically involves the design, planning and implementation of a network that enables voice and data communication, involving the delivery, staging and installation of networking equipment, accompanied with project management and consultancy services.
Any (subsequent) maintenance service rendered on the assets is not considered a part of the construction contract.
When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised using the percentage of completion method. The stage of completion is measured by reference to the relationship of contract costs incurred for work performed to date in proportion to the estimated total costs for the contract. Costs incurred in the year in connection with future activity on a contract are excluded from determining the stage of completion. Contract cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in connection with contract activities.

The aggregate of the contract costs incurred that relate to contract activity already performed, plus the profit/loss recognised on each contract, is compared against the progress billings to date. Where costs plus profit/loss exceed progress billings, the net balance is shown under trade and other receivables. Where progress billings exceed costs plus profit/loss, the net balance is shown under trade and other payables. Advance billings that relate to work to be performed in the future, are not considered in the above calculation and are included in trade and other payables.
When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised in the income statement immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that those costs will be recovered.

Royalties, interests and dividends

Revenue from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Income from dividends receivable is recognised when the right to receive payment is established.

(v) Borrowing costs

Borrowing costs, including interest on borrowings and bank overdrafts, as well as ancillary costs incurred in connection with the arrangement of borrowings, are recognised as an expense in the period in which they are incurred.

(vi) Income tax

Current tax

Current tax is the expected tax payable on the taxable income for the year, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from goodwill amortization. In respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, deferred tax liabilities are not recognised when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. In respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future (next five years) and taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(vii) Intangible assets

Research & development

Telindus does not perform any fundamental research activities.
Development expenditure is recognised as an intangible asset, only when (among other criteria) it can be demonstrated that the product resulting from the development is likely to generate economic benefits and when the expenditure incurred on the development can be measured reliably. Capitalised development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over the estimated useful life of the related asset, not exceeding 7 years.

Other intangible assets

Expenditure to acquire computer software and other licences are stated at cost less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over the estimated useful life, not exceeding 5 years.

(viii) Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is recognised as an asset and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

(ix) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in an item of property, plant and equipment. The resulting assets are depreciated over the remaining useful life of the related asset. All other repair and maintenance expenditure is recognised in the income statement in the period when incurred.

Land is not depreciated. Leasehold improvements are depreciated over the shorter period of estimated useful life and lease term. Other captions are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings – structural works	25-50 years
Building equipment and installations	10-20 years
Plant installations, machinery and equipment	3-5 years
Network equipment for commercial use (incl. spare parts)	3 years
Computer and office equipment	3-5 years
Furniture	5 years
Vehicles	4 years

(x) Leases

Finance leases

Leases in which the Group obtains the right to use assets, are classified as finance leases if substantially all the risks and rewards incident to ownership of the leased item are transferred to the Group. Finance leases are capitalised at the fair value of the leased item at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease debt as to achieve a constant rate of interest on the remaining balance of the debt. Finance charges are charged directly against the income statement. Assets under finance leases are depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases that do not meet the criteria of finance leases are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

(xi) Available-for-sale investments

Available-for-sale investments are initially measured at fair value, increased with any acquisition costs associated with the investment. After initial recognition, available-for-sale investments are measured at fair value. Gains or losses on available-for-sale investments from changes in fair value are recognised directly in equity, except for impairment losses and foreign exchange gains and losses, which are charged to the income statement. Upon disposal of the investment, the cumulative gain or loss previously recognised in equity is charged to the income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is calculated based on the expected cash flows of the underlying net asset base of the investment.

(xii) Inventories

Inventories are stated at the lower of cost and net realizable value. In respect of raw materials and consumables, cost is accounted for according to the FIFO-method ("first-in, first-out"). The cost of goods purchased for re-sale is the individual purchase price of each individual item. Work in progress and finished goods are valued at manufacturing cost, which includes all direct production costs and an allocation of fixed and variable production overheads, based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(xiii) Contracts in progress

Contracts in progress represent costs incurred in connection with future contract activity from construction contracts.

(xiv) Trade receivables

Trade receivables are recognised and carried at original invoice amount (nominal value). Allowances are recognised when collection of the full amount is no longer probable.

(xv) Cash and cash equivalents

Cash and cash equivalents are carried at nominal value in the balance sheet. They comprise cash at bank and in hand, as well as short-term deposits with banks and acquired commercial paper that have original maturities of three months or less, that are readily convertible to cash and that are not subject to significant risks of changes in value.

(xvi) Provisions

A provision is recognised when (i) the Group has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligation, and (iii) a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(xvii) Trade payables

Trade payables are stated at their nominal value.

(xviii) Dividends payable

Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date but are directly deducted from equity in the period when paid.

(xix) Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants related to assets (such as for capital expenditure) are credited to deferred income and released to the income statement on a straight-line basis over the expected useful life of the relevant asset. Grants relating to income (such as interest subsidies) are recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

(xx) Pensions and other post-employment benefits

The Group operates various post employment benefit plans in accordance with the local conditions and practices of the countries in which it operates. Most schemes are funded through payments to insurance companies as determined by periodic actuarial calculations and funding requirements set by local insurance regulators.
A defined benefit plan is a plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. Pension plans of the defined benefit type is in place in only one country. This pension plan is funded. Subsidiaries in two other countries provide a post-employment benefit that is not a pension plan. These benefits are unfunded and represent a legal obligation consisting of a one-time premium that is payable when employees leave the company. The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, as calculated by independent actuaries. The defined benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government bonds or high quality corporate bonds. Actuarial gains and losses are immediately recognised in the income statement.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution pension plans are charged to the income statement in the period to which they relate.

(xxi) Equity compensation benefits

The Group has four warrant plans in place whereby warrants have been granted to employees, entitling these employees to acquire new shares of the Company. Since these plans were issued between 1998 and 2001, IFRS 2 Share-based Payment is not applicable. (IFRS 2 is applicable to grants of equity instruments after 7 November 2002.) Nevertheless, an accrual is recognised for social security payable on gains that arise from the exercise of warrants if, based on the closing share price at the balance sheet date, the warrants are in-the-money.
When warrants are exercised, new shares are issued and equity is increased by the amount of the proceeds received: share capital is increased by the fractional amount per share with the remainder being recorded as share premium.

(xxii) Derivative financial instruments

Derivative financial instruments utilised by the Group are principally forward exchange contracts and currency options for hedging purposes. No derivatives for trading purposes are held nor issued. The Group does not apply special hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement.

Derivatives are stated at fair value, which is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

4 Financial risk management

Foreign exchange risk

The Group's international presence exposes it to foreign exchange risks, arising principally from fluctuations of the US dollar (in which most purchases of re-sale products are denominated) against the local currency (in which sales are usually denominated). Sales are mainly in Euro, and to some extent in UK pound, US dollar, Swiss franc, Hungarian forint, Chinese yuan, Hong Kong dollar and Thai baht. The Group's treasury department uses forward exchange contracts and, to a lesser extent, currency options to hedge its exposure to exchange rate fluctuations. Hedge contracts are based on the estimated success rate of outstanding sales proposals in the Group's subsidiaries and generally have a maturity of less than 3 months. Significant sales projects usually result in a separate hedge contract with maturities specific to the sales project.

Interest rate risk

The Group's income and operating cash flows are relatively independent of changes in market interest rates. This is explained by the fact that external borrowings are minor or are fixed-rate obligations.

Investment risk

The Group has a limited number of non-controlling participating interests that are classified as available-for-sale financial asset and whose value is dependent on the underlying performance and/or share price. The Group does not hedge fluctuations in value, but follows closely the performance and share price and adopts its investment strategy accordingly.

Credit risk

The Group has credit limit policies in place to ensure that sales of products and services are made to customers with an acceptable credit history.

Liquidity risk

The Group's low level of long-term borrowings make that the liquidity risk is remote. The Group maintains sufficient cash and marketable securities to ensure the ability to meet its commitments and repay debts.

5 Geographical segment information (primary)

Year ended 31 December 2005

€'000	Benelux	South	BINCE	New Markets	Total regions	Product divisions	Corporate	Total Group
External sales from services	140,725	74,867	36,003	5,448	257,043	0	0	257,043
External sales from products	136,714	142,160	50,303	31,640	360,817	0	0	360,817
Total external turnover	**277,439**	**217,027**	**86,306**	**37,088**	**617,860**	**0**	**0**	**617,860**
Inter-segment turnover	**0**	**0**	**0**	**0**	**0**	**18,543**		**18,543**
Other operating income	**3,275**	**1,641**	**865**	**567**	**6,348**	**6,088**	**1,182**	**13,618**
Segment revenue	**280,714**	**218,668**	**87,171**	**37,655**	**624,208**	**24,631**	**1,182**	**650,021**
Segment charges before restructuring	**(256,016)**	**(210,783)**	**(84,237)**	**(40,701)**	**(591,737)**	**(29,499)**	**(22,738)**	**(643,974)**
Of which: depreciation and amortization	(11,449)	(3,956)	(4,881)	(519)	(20,805)	(4,322)	(3,164)	(28,291)
Operating profit/(loss) before restructuring	**24,698**	**7,885**	**2,934**	**(3,046)**	**32,471**	**(4,868)**	**(21,556)**	**6,047**
Restructuring charges		(9,916)	(1,780)	(770)	(12,466)	(334)	(802)	(13,602)
Operating profit/(loss)	**24,698**	**(2,031)**	**1,154**	**(3,816)**	**20,005**	**(5,202)**	**(22,358)**	**(7,555)**
Acquisition of intangible assets	1,352	90	31		1,473	2,405	3,610	7,488
Acquisition of property, plant and equipment	9,611	4,133	4,179	74	17,997	415	325	18,737
Total capital expenditure	**10,963**	**4,223**	**4,210**	**74**	**19,470**	**2,820**	**3,935**	**26,225**
Segment assets	**191,360**	**143,417**	**90,968**	**17,618**	**443,363**	**19,959**	**40,107**	**503,429**
Available-for-sale investments								196,049
Current and deferred tax assets								25,372
Total assets								**724,850**
Segment liabilities	**(86,167)**	**(88,167)**	**(41,203)**	**(9,847)**	**(225,384)**	**(3,165)**	**(7,337)**	**(235,886)**
Borrowings								(54,723)
Current and deferred tax liabilities								(4,650)
Other								(1,205)
Total liabilities								**(296,464)**

For management and reporting purposes, the Group is organised in 4 geographical regions, each headed by a vice-president. The regions are composed as follows:

- "Benelux": Belgium, the Netherlands and Luxembourg;
- "South": France, Italy, Spain, Portugal and Switzerland (Lausanne office);
- "BINCE": UK and Germany
- "New Markets": China, Thailand, Hungary, Israel and other countries handled by the international distributor business unit.

This unit sells to independent distributors in countries where the Group does not have its own subsidiaries.

Year ended 31 December 2004

€'000	Benelux	South	BINCE	New Markets	Total regions	Product divisions	Corporate	Total Group
External sales from services	115,798	46,448	36,974	3,290	202,510	0	0	202,510
External sales from products	135,040	109,617	36,550	48,418	329,625	0	0	329,625
Total external turnover	**250,838**	**156,065**	**73,524**	**51,708**	**532,135**	**0**	**0**	**532,135**
Inter-segment turnover	**0**	**0**	**0**	**0**	**0**	**21,441**	**0**	**21,441**
Other operating income	**1,786**	**355**	**1,038**	**469**	**3,648**	**6,630**	**1,421**	**11,699**
Segment revenue	**252,624**	**156,420**	**74,562**	**52,177**	**535,783**	**28,071**	**1,421**	**565,275**
Segment charges before restructuring	**(235,616)**	**(148,769)**	**(74,154)**	**(53,577)**	**(512,116)**	**(28,707)**	**(23,098)**	**(563,921)**
Of which: depreciation and amortization	(11,011)	(4,345)	(5,598)	(606)	(21,560)	(3,409)	(3,299)	(28,268)
Operating profit/(loss) before restructuring	**17,008**	**7,651**	**408**	**(1,400)**	**23,667**	**(636)**	**(21,677)**	**1,354**
Restructuring charges	(453)	(2,546)	(1,011)	0	(4,010)	0	(2,936)	(6,946)
Operating profit/(loss)	**16,555**	**5,105**	**(603)**	**(1,400)**	**19,657**	**(636)**	**(24,613)**	**(5,592)**
Acquisition of intangible assets	841	26	44	0	911	2,446	1,597	4,954
Acquisition of property, plant and equipment	12,249	1,751	2,161	214	16,375	1,101	928	18,404
Total capital expenditure	**13,090**	**1,777**	**2,205**	**214**	**17,286**	**3,547**	**2,525**	**23,358**
Segment assets	**172,514**	**110,273**	**54,629**	**32,534**	**369,950**	**21,090**	**30,241**	**421,281**
Available-for-sale investments								201,565
Current and deferred tax assets								14,201
Total assets								**637,047**
Segment liabilities	**(83,900)**	**(40,571)**	**(22,999)**	**(7,537)**	**(155,007)**	**(2,766)**	**(2,435)**	**(160,208)**
Borrowings								(12,825)
Current and deferred tax liabilities								(7,034)
Other								(1,203)
Total liabilities								**(181,270)**

"Product Divisions" represent the Group's own product lines of Telindus Access Products (broadband access equipment located in Haasrode, Belgium) and Telindus Surveillance Solutions (high-quality video and audio networking equipment for high-speed digital networks located in Cambridge, UK).
"Corporate" includes the unallocated overhead that is incurred on corporate level.

The segments are based on location of customers. Sales between subsidiaries in different segments are based on the cost-plus method of pricing and are on an arm's length basis.

Year ended 31 December 2003

€'000	Benelux	South	BINCE	New Markets	Total regions	Product divisions	Corporate	Total Group
External sales from services	97,529	35,913	44,039	3,243	180,724	0	0	180,724
External sales from products	115,798	117,068	47,937	56,550	337,353	0	0	337,353
Total external turnover	**213,327**	**152,981**	**91,976**	**59,793**	**518,077**	**0**	**0**	**518,077**
Inter-segment turnover	**0**	**0**	**0**	**0**	**0**	**21,062**	**0**	**21,062**
Other operating income	**2,890**	**701**	**603**	**621**	**4,815**	**3,910**	**511**	**9,236**
Segment revenue	**216,217**	**153,682**	**92,579**	**60,414**	**522,892**	**24,972**	**511**	**548,375**
Segment charges before restructuring	**(203,365)**	**(151,923)**	**(92,838)**	**(57,379)**	**(505,505)**	**(23,825)**	**(23,446)**	**(552,776)**
Of which: depreciation and amortization	(8,316)	(4,954)	(8,392)	(590)	(22,252)	(1,610)	(2,699)	(26,561)
Operating profit/(loss) before restructuring	**12,852**	**1,759**	**(259)**	**3,035**	**17,387**	**1,147**	**(22,935)**	**(4,401)**
Restructuring charges	(2,900)	(1,100)	0	0	(4,000)	0	(2,835)	(6,835)
Operating profit/(loss)	**9,952**	**659**	**(259)**	**3,035**	**13,387**	**1,147**	**(25,770)**	**(11,236)**
Acquisition of intangible assets	1,616	6	169	61	1,852	2,948	2,114	6,914
Acquisition of property, plant and equipment	16,165	3,127	4,393	578	24,263	2,764	4,640	31,667
Total capital expenditure	**17,781**	**3,133**	**4,562**	**639**	**26,115**	**5,712**	**6,754**	**38,581**
Segment assets	**187,224**	**110,593**	**56,594**	**33,741**	**388,152**	**21,464**	**64,751**	**474,367**
Available-for-sale investments								130,492
Current and deferred tax assets								11,878
Total assets								**616,737**
Segment liabilities	**(102,609)**	**(40,984)**	**(25,160)**	**(8,479)**	**(177,232)**	**(2,352)**	**(6,091)**	**(185,675)**
Unallocated assets: borrowings								(6,735)
Current and deferred tax liabilities								(6,629)
Other								(770)
Total liabilities								**(199,809)**

6 Business segment information (secondary)

Year ended 31 December 2005

€'000	Services	Products	Total Group
Turnover	**257,043**	**360,817**	**617,860**
Gross profit			**148,012**
Gross profit margin			24.0%
Segment capital expenditure	**8,883**	**3,878**	**12,761**
Unallocated capital expenditure			13,464
Total capital expenditure			**26,225**
Segment assets	**27,995**	**45,300**	**73,295**
Unallocated assets			651,555
Total assets			**724,850**

Year ended 31 December 2004

€'000	Services	Products	Total Group
Turnover	**202,510**	**329,625**	**532,135**
Gross profit			**134,536**
Gross profit margin			25.3%
Segment capital expenditure	**9,187**	**4,504**	**13,691**
Unallocated capital expenditure			9,667
Total capital expenditure			**23,358**
Segment assets	**25,772**	**36,420**	**62,192**
Unallocated assets			574,855
Total assets			**637,047**

Year ended 31 December 2003

€'000	Services	Products	Total Group
Turnover	**180,724**	**337,353**	**518,077**
Gross profit			**123,346**
Gross profit margin			23.8%
Segment capital expenditure	**14,245**	**4,268**	**18,513**
Unallocated capital expenditure			23,068
Total capital expenditure			**41,581**
Segment assets	**29,730**	**45,834**	**75,564**
Unallocated assets			541,173
Total assets			**616,737**

The Telindus business of secure networked-based ICT solutions is composed of 2 major activities i.e. services and products. Services comprise the following:

- "Management services": maintenance and repair of networked equipment, help desk services, remote management and outsourcing;
- "Integration services": staging, installation & commissioning and project management;
- "Consulting services": network and security consulting, training, intrusive testing.

The amount of unallocated assets is relatively high when compared to segment assets, as it includes all of the goodwill of EUR 83.3m (2004: EUR 64.5m; 2003: EUR 64.5m), available-for-sale investments of EUR 196.0m (2004: EUR 201.6m; 2003: EUR 130.5m) and trade receivables of EUR 236.1m (2004: EUR 190.2m; 2003: EUR 182.3m). Goodwill can be allocated to geographical segments but not to business segments, as the goodwill relates to acquisitions of entities with both products and services activities. Available-for-sale investments represent principally the Mobistar investment which is independent from the Group's core activities.
Trade receivables are a mix of product and service sales and it would be impracticable to separate these.

7 Other operating income

Year ended 31 December *€'000*	2005	2004	2003
Capitalised development expenditure	2,809	2,489	3,069
Manufacturing costs allocated to produced inventories	2,931	2,932	226
Government grants	289	894	659
Other	7,589	5,384	5,282
Total	**13,618**	**11,699**	**9,236**

Capitalised development expenditure relates to the Group's development activities on its own access products and video surveillance solutions. Allocated manufacturing costs concern the overhead that is attributed to the production and assembly of own products. Other items comprise recoveries from claims and insurances, as well as contributions by personnel for benefits in kind.

8 Operating charges

Operating charges include development expenditure of EUR 6.1m (2004: EUR 7.1m; 2003: EUR 6.6m). These amounts exclude the amortization charge on capitalised development.

9 Services and other goods

Purchase of services and non-trade goods includes expenditure from operating leases of cars and office rentals for an amount of EUR 13.9m (2004: EUR 12.6m; 2003: EUR 13.6m).

10 Personnel costs

Year ended 31 December *€'000*	2005	2004	2003
Salaries and wages	(118,660)	(101,857)	(95,858)
Social security charges	(29,575)	(23,551)	(22,896)
Personnel insurance	(2,652)	(2,768)	(2,101)
Pension costs	(1,931)	(1,459)	(1,492)
Other	(3,728)	(2,937)	(2,808)
Total	**(156,546)**	**(132,572)**	**(125,155)**

At year-end, the Group employed 2,616 people (2004: 2,233 ; 2003: 2,194).

11 Depreciation and amortization

Year ended 31 December *€'000*	2005	2004	2003
Amortization of intangible assets	(6,370)	(5,160)	(3,625)
Depreciation of property, plant & equipment	(21,921)	(23,108)	(22,936)
Total	**(28,291)**	**(28,268)**	**(26,561)**

Refer to note 22 on intangibles assets and to note 23 on property, plant & equipment.

12 Provisions and allowances

Year ended 31 December *€'000*	2005	2004	2003
Allowances for obsolete inventories	(1,357)	(769)	1,608
Allowances for doubtful amounts receivable	(2,474)	(69)	(717)
Provisions	4,724	819	240
Total	**893**	**(19)**	**1,131**

13 Restructuring charges

In the second half of the year, management has implemented various initiatives to accelerate the group's profitability targets, such as refocusing on services, re-engineering, downsizing or sale/closure where necessary. Therefore, management decided to implement thorough structural changes in Italy, Germany, and China, reducing the headcount by 30% on average and closing down 4 offices.

At the same time, from October onwards the two French operations, being Telindus France SA and the newly acquired Arche Communications SAS, were merged to one operational unity; restructuring charges of EUR 6.8m were recognised to reduce the total headcount by 10% and close a number of offices. The total restructuring cost in 2005 was EUR 13.6m, reducing the headcount by 160 or 7% of the average headcount in 2005.

14 Financial income and charges

Year ended 31 December *€'000*	2005	2004	2003
Dividend income (received from Mobistar SA/NV)	5,842		
Exchange gains and (losses)	434	3,008	1,587
Interest income	122	438	1,272
Interest expense and other borrowing costs	(2,074)	(519)	(356)
Other	97	(208)	514
Total	**4,421**	**2,719**	**3,017**

15 Gain on disposal of investments

In May 2005, the Group has sold all its 50.1% participation in a2z Solutions NV to the management of the company. The sales price was EUR 0.6m and the resulting gain on disposal EUR 0.4m. The results of a2z Solutions are consolidated until April 2005. The turnover and operating result of a2z Solutions consolidated in 2005 amount to respectively EUR 1.1m and EUR 0.1m.

16 Impairment loss on investments

The goodwill impairment tests demonstrated that due to the revised cash flow projections resulting from the drastic structural changes of the activities in Italy, Germany and China, the original goodwill value of these countries was impaired.
As a consequence, an impairment loss of EUR 14.8m was recognised in 2005.

17 Buy-out related costs

This amount of EUR 7.8m relates mainly to the defence costs. As a result of the public offer from Belgacom launched in September 2005, Telindus Group built its defence case and spent EUR 7.3m on financial and legal advice.

18 Income taxes

Year ended 31 December *€'000*	2005	2004	2003
Tax on profit of the year	(3,077)	(3,334)	(1,465)
Adjustments to tax on prior year(s)	164	(36)	(17)
Current income tax	**(2,913)**	**(3,370)**	**(1,482)**
Origination and reversal of temporary differences	(225)	(690)	477
Changes in tax rates	0	(26)	0
Previously unrecognised tax losses and temporary differences	11,015	3,399	255
Write-downs of deferred tax assets	(954)	(421)	(358)
Deferred income tax	**9,836**	**2,262**	**374**
Total	**6,923**	**(1,108)**	**(1,108)**

Income tax at the Belgian statutory tax rate of 33.99%, applied to the accounting result before tax of EUR -27.5m, would result in an increase of the deferred tax of 9.4m. The difference with the actual income tax charge of EUR 6.9m is mainly due to the effect of the following:

- The origination of tax losses and deductible temporary differences not being recognised;
- The recognition of previously unrecognised tax losses and temporary differences;
- The write-down of existing deferred tax assets;
- The non-deductibility of certain expenses;
- The fact that tax entities outside Belgium are subject to different tax rates.

19 Earnings per share

Basic earnings per share are calculated by dividing the net result attributable to the Group by the weighted average number of shares outstanding during the year (i.e. shares in issue excluding treasury shares). Diluted earnings per share are calculated by dividing the net result attributable to the Group by the weighted average number of shares outstanding during the year, both adjusted for any effect of dilutive potential ordinary shares. Potential ordinary shares shall be treated as dilutive only when their conversion to ordinary shares decreases earnings per share or increases loss per share.

Year ended 31 December	2005	2004	2003
Net profit/(loss) for calculating basic earnings per share (EUR'000)	**(21,050)**	**(3,014)**	**(10,558)**
Effect of dilutive potential ordinary shares (EUR'000)	0	0	0
Adjusted net profit/(loss) for calculating diluted earnings per share (EUR'000)	**(21,050)**	**(3,014)**	**(10,558)**
Weighted average number of shares for calculating basic earnings per share	**35,742,819**	**36,577,362**	**38,864,958**
Effect of dilutive potential ordinary shares	0	0	0
Adjusted weighted average number of shares for calculating diluted earnings per share	**35,742,819**	**36,577,362**	**38,864,958**
Basic earnings per share (EUR)	**(0.59)**	**(0.08)**	**(0.27)**
Diluted earnings per share (EUR)	**(0.59)**	**(0.08)**	**(0.27)**

All shares are ordinary shares therefore there is no effect on net profit/(loss) in the calculation of earnings per share that would arise from preference shares. The Company has potential shares from the granting of 4 warrant plans (see note 38 on equity compensation benefits). Because the potential exercise of the warrants would have an anti-dilutive effect on earnings per share of 2005, 2004 and 2003, there is no effect on the calculation of diluted earnings per share (conversion to ordinary shares would decrease the loss per share). Consequently, dilutive earnings per share are equal to basic earnings per share.

20 Dividends

At its meeting of 26 April 2006, the Board of Directors decided to propose to the Annual General Meeting of shareholders that no dividend be paid out related to the 2005 financial year.

21 Goodwill

€'000	Goodwill
At 1 January 2005	64,514
Acquisition of subsidiaries	34,169
Adjustments to the cost of business combinations that affect goodwill	(14,830)
Change of consolidation scope	(549)
Impairment	-
At 31 December 2005	**83,304**

Business combination

In June 2005, the Telindus Group acquired Arche Communications SAS in France. The business combination involves the acquisition of 100% of the shares of Omnetica France Holdco SA ("Omnetica"), a holding company, including its operational subsidiary Arche Communications SAS ("Arche"). The seller is Kingston Communications (Hull) PLC ("Kingston") of the UK.

The cost of business combination amounts to EUR 47.5m, paid fully in cash, and is composed as follows:

- EUR 35.0m for the shares in Omnetica;
- EUR 11.5m to satisfy existing debts of Omnetica and Arche toward Kingston;
- EUR 1.0m of acquisition related fees.

The acquisition was financed by short-term borrowings, taken on within available credit lines.

The results of Arche are consolidated as from 1 June 2005. As a physical merger has been done of Telindus France SA and Arche Communications SAS per 1 October 2005, and both entities are operationally fully merged, no separate accounts are available any longer from October 1 onwards for Arche. However for the period of June to December 2005, it is estimated that Arche has contributed EUR 58.0m to the consolidated turnover and a recurring operating result of EUR 2.3m. This leads to following organic evolution for the Group:

	2004	2005		2005 Organic	
Operating revenues	**543,834**	**631,478**	**16.1%**	**572,393**	**5.3%**
Turnover	532,135	617,860	16.1%	559,891	5.2%
Other operating income	11,699	13,618	16.4%	12,502	6.9%
Operating charges	**(542,834)**	**(625,431)**	**(15.2%)**	**(568,700)**	**4.8%**
Recurring Operating profit/(loss)	**1,354**	**6,047**	**346.6%**	**3,693**	**172.7%**
Restructuring charges	(6,946)	(13,602)	(95.8%)	(7,604)	(9.5%)
Other non-recurring items (see table below)		(24,389)		(22,201)	
Operating profit/(loss)	**(5,592)**	**(31,944)**	**(471.2%)**	**(26,112)**	**(367.0%)**
Financial income and charges	2,963	4,421	49.2%	4,346	46.7%
Profit/(loss) before tax	**(2,629)**	**(27,523)**	**(946.9%)**	**(21,766)**	**(727.9%)**
Income taxes	(1,108)	6,923		7,549	
Consolidated profit/(loss)	**(3,737)**	**(20,600)**	**(451.2%)**	**(14,217)**	**(280.4%)**
Minority interests	723	(450)		(450)	
Net profit/(loss)	**(3,014)**	**(21,050)**	**(598.4%)**	**(14,667)**	**(386.6%)**
EBITDA (excluding non-recurring items)	**29,641**	**34,338**	**15.8%**	**31,028**	**4.7%**

The assets, liabilities and contingent liabilities recognised at the acquisition date of both entities are presented below:

€'000 at 1 June 2005	Arche	Omnetica	Adj.	Arche / Omnetica
Non-current assets	**4.068**	**29.285**	**(3.656)**	**29.697**
Goodwill	0	0	18.248	18.248
Intangible assets	417	0	7.381	7.798
Property. plant and equipment	3.216	0	0	3.216
Participations	0	29.285	(29.285)	0
Deferred tax assets	435	0	0	435
Current assets	**35.834**	**65**	**0**	**35.899**
Inventories	3.604	0	0	3.604
Trade and other receivables	28.932	0	0	28.932
Cash and cash equivalents	3.298	65	0	3.363
Total assets	**39.902**	**29.350**	**(3.656)**	**65.596**
Shareholders' equity	**3.656**	**20.211**	**(3.656)**	**20.211**
Share capital	872	15.800	(872)	15.800
Other reserves	3.475	2.541	(3.475)	2.541
Retained earnings	(691)	1.870	691	1.870
Non-current liabilities	**857**	**9.118**	**0**	**9.975**
Provisions	857	0	0	857
Borrowings due after one year	0	9.118	0	9.118
Current liabilities	**35.389**	**21**	**0**	**35.410**
Trade and other payables	35.157	12	0	35.169
Current tax liabilities	232	9	0	241
Total equity and liabilities	**39.902**	**29.350**	**(3.656)**	**65.596**

The allocation of the cost of the business combination to the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, has led to the recognition of an intangible of EUR 7.4m (see also note 22). This intangible reflects the fair value of the product sales backlog and of the maintenance contract portfolio of Arche at the acquisition date. The useful life of the product backlog is approximately one month and of the maintenance contract portfolio 2.5 years. The intangible is amortised over its useful life. The amortization charged in 2005 amounts to EUR 2.2m and is shown separately in the income statement.

In the consolidated accounts the elimination of the participation by Omnetica in Arche results in a goodwill of EUR 18.2m. The subsequent elimination of the Group's participation in Omnetica leads to an additional goodwill of EUR 15.8m. The total goodwill from the acquisition of Arche/Omnetica is therefore EUR 34.1m. The purchase price of the acquisition was primarily based on multiples of performance including EBITDA. After allocation of the cost of the business combination to assets and liabilities, the remaining goodwill represents a number of intangibles that have not been recognised because their value could not be reliably measured. They include the possible synergies between Arche and the existing Telindus subsidiary, the customer base and solution set of Arche that may be rolled out to other companies within the Telindus Group.

In May 2005, the Group has sold all its 50.1% participation in a2z Solutions NV to the management of the company. The sales price was EUR 0.6m and the resulting gain on disposal EUR 0.4m. Goodwill was reduced by EUR 0.5m. The results of a2z Solutions are consolidated until April 2005. The turnover and operating result of a2z Solutions consolidated in 2005 amount to respectively EUR 1.1m and EUR 0.1m.

Allocation of goodwill

Year ended 31 December *€'000*	2005	2004	2003
Goodwill from acquisition of subsidiaries in:			
Luxembourg	799	799	799
UK	27,973	27,973	27,973
Germany	0	825	825
France	43,924	9,755	9,755
Italy	0	12,891	12,891
Spain	9,193	9,193	9,193
China	0	1,114	1,114
Thailand	1,104	1,104	1,104
Other countries	311	860	860
Total	**83,304**	**64,514**	**64,514**

Impairment testing of goodwill

In accordance with IFRS 3 – Business Combinations, goodwill is no longer amortised but tested for impairment and this per cash-generating unit to which the goodwill is allocated. The recoverable amount of each cash-generating unit has been determined based on the value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a 3-year period. These budgets are extrapolated over 5 years at a declining growth rate and a terminal value is calculated using a growth rate (2%) that does not exceed the expected inflation index.

The key assumptions included in the value in use calculation comprise the discount factor, the projected gross profit margin on products and the forecast growth in revenue from services.

- The discount rate applied to cash flow projections is the weighted average cost of capital (WACC), determined at 9.2% (2004: 9.3% to 9.5%; 2003: 7.8% to 8.3%). The components for the determination of the WACC are based on sector-specific parameters received from various investment banks and analysts.
- The projected gross profit margin on product sales is a key assumption because a slight deviation in the projected margins has a considerable impact on the overall profit contribution. The product margins have been set in a relatively conservative manner and are reasonable when compared to expected market trends.
- The forecast growth in revenue from services is very important in achieving the cash flow projections. Service growth is a key strategic objective of the Group and the resulting gross profit is an important driver for how the Group's indirect cost may evolve.

As a consequence of the impairment testing, an impairment loss of EUR 14.8m was recognised in 2005. (see note 16)

22 Intangible assets

€'000	Development	Software & other licenses	Intangibles from acquisition	Total
Cost				
At 1 January 2005	10,092	23,959	0	34,051
Additions	3,085	4,403	0	7,488
Disposals	(114)	(251)	0	(365)
Translation differences	48	(61)	0	(13)
Change in consolidation scope		1,476	7,381	8,857
At 31 December 2005	**13,111**	**29,526**	**7,381**	**50,018**
Accumulated depreciation and impairment				
At 1 January 2005	(3,376)	(17,655)	0	(21,031)
Amortization charge of the period	(3,260)	(3,110)	0	(6,370)
Reversal from disposals	114	251	0	365
Translation differences	(10)	68	0	58
Change in consolidation scope		(1,059)	(2,188)	(3,247)
At 31 December 2005	**(6,532)**	**(21,505)**	**(2,188)**	**(30,225)**
Net carrying amount				
At 1 January 2005	6,716	6,304	0	13,020
At 31 December 2005	**6,579**	**8,021**	**5,193**	**19,793**

€'000	Development	Software & other licenses	Total
Cost			
At 1 January 2004	7,597	22,132	29,729
Additions	2,775	2,179	4,954
Disposals	(280)	(455)	(735)
Translation differences	0	103	103
At 31 December 2004	**10,092**	**23,959**	**34,051**
Accumulated depreciation and impairment			
At 1 January 2004	(1,666)	(14,899)	(16,565)
Amortization charge of the period	(2,001)	(3,159)	(5,160)
Reversal from disposals	280	455	735
Translation differences	11	(52)	(41)
At 31 December 2004	**(3,376)**	**(17,655)**	**(21,031)**
Net carrying amount			
At 1 January 2004	5,931	7,233	13,164
At 31 December 2004	**6,716**	**6,304**	**13,020**

23 Property, plant and equipment

€'000	Land & buildings	Plant & machinery	Network equipment	Computer & office equipment	Furniture	Other	Total
Cost							
At 1 January 2005	72,261	17,477	78,078	39,427	8,158	2,803	218,204
Additions	1,991	1,473	8,883	4,868	391	1,131	18,737
Disposals	(1,247)	(1,625)	(13,847)	(728)	(361)	(953)	(18,761)
Transfers	129	0	(418)	200	80	9	0
Translation differences	29	28	797	197	27	19	1,097
Change in consolidation scope	1,264	0	9,985	2,884	437	0	14,570
At 31 December 2005	**74,427**	**17,353**	**83,478**	**46,848**	**8,732**	**3,009**	**233,847**
Accumulated depreciation and impairment							
At 1 January 2005	(16,771)	(13,480)	(61,624)	(33,967)	(5,428)	(1,300)	(132,570)
Amortization charge of the period	(3,068)	(1,949)	(11,697)	(4,388)	(696)	(123)	(21,921)
Reversal from disposals	944	1,622	13,721	694	371	838	18,190
Transfers	(129)		218	0	(80)	(9)	0
Translation differences	(23)	(23)	(608)	(170)	(22)	(9)	(855)
Change in consolidation scope	(521)		(8,355)	(2,128)	(350)	0	(11,354)
At 31 December 2005	**(19,568)**	**(13,830)**	**(68,345)**	**(39,959)**	**(6,205)**	**(603)**	**(148,510)**
Net carrying amount							
At 1 January 2005	55,490	3,997	16,454	5,460	2,730	1,503	85,634
At 31 December 2005	**54,859**	**3,523**	**15,133**	**6,889**	**2,527**	**2,406**	**85,337**

€'000	Land & buildings	Plant & machinery	Network equipment	Computer & office equipment	Furniture	Other	Total
Gross carrying amount							
At 1 January 2004	70,215	15,836	70,703	38,598	8,063	2,230	205,645
Additions	2,848	1,729	9,187	3,199	351	1,090	18,404
Disposals	(820)	(87)	(1,745)	(2,330)	(345)	(419)	(5,746)
Transfers	27	0	(49)	17	98	(93)	0
Translation differences	(9)	(1)	(18)	(57)	(9)	(5)	(99)
At 31 December 2004	**72,261**	**17,477**	**78,078**	**39,427**	**8,158**	**2,803**	**218,204**
Accumulated depreciation and impairment							
At 1 January 2004	(13,967)	(11,672)	(51,236)	(32,193)	(4,968)	(1,452)	(115,488)
Depreciation charge of the year	(3,149)	(1,903)	(13,186)	(3,966)	(695)	(209)	(23,108)
Reversal from disposals	333	82	2,494	2,156	304	373	5,742
Transfers	5	0	110	(25)	(76)	(14)	0
Translation differences	7	13	194	61	7	2	284
At 31 December 2004	**(16,771)**	**(13,480)**	**(61,624)**	**(33,967)**	**(5,428)**	**(1,300)**	**(132,570)**
Net carrying amount							
At 1 January 2004	56,248	4,164	19,467	6,405	3,095	778	90,157
At 31 December 2004	**55,490**	**3,997**	**16,454**	**5,460**	**2,730**	**1,503**	**85,634**

The Group does not hold any items of property, plant and equipment under finance leases.

24 Available-for-sale investments

Year ended 31 December *€'000*	2005	2004	2003
Acquisition cost	16,422	16,242	24,353
Revaluation	179,627	185,323	113,900
Impairment	-	-	(7,761)
Total	**196,049**	**201,565**	**130,492**

Available-for-sale investments represent principally the 4.7% strategic holding in Mobistar NV, which is measured at fair value. The unrealised capital gain of EUR 179.7m (2004: EUR 185.3m; 2003: EUR 113.9m) is included in revaluations reserves within equity (refer to note 34). The investment in Mobistar consists of ordinary shares that therefore have no fixed maturity date or coupon rate.

25 Deferred taxes

Net deferred taxes

Year ended 31 December *€'000*	2005	2004	Movement
Deferred tax asset	21,652	13,419	8,233
Deferred tax liability	(1,771)	(3,685)	(1,915)
Net deferred tax	**19,881**	**9,734**	**10,147**

Origin of deferred taxes

Year ended 31 December *€'000*	2005	2004	Movement
Losses available for offset against future taxable income	17,192	8,714	8,478
Tax deductible "local" goodwill	2,148	3,090	(942)
Lower depreciation rates for tax purposes	1,963	1,808	155
Provisions deductible on cash basis	349	365	(16)
From other deductible temporary differences	0	100	(100)
Gross deferred tax assets	**21,652**	**14,077**	**7,575**
Reversal of a temporarily deductible impairment loss	(1,280)	(2,927)	1,647
Higher depreciation rates for tax purposes	(343)	(908)	565
From other taxable temporary differences	(148)	(508)	360
Gross deferred tax liabilities	**(1,771)**	**(4,343)**	**2,572**
Net deferred tax	**19,881**	**9,734**	**10,147**

At 31 December 2005, the Group has a total amount of EUR 100.5m of unused tax losses for which it did not recognise deferred tax assets (2004: EUR 109.7m; 2003: EUR 111.4m). Deferred tax assets relate to tax entities that made fiscal losses, and of which the utilisation of the tax asset is dependent on future profits being higher than profits from reversal of taxable temporary differences. The recognition of the tax assets is supported by improving market conditions and increased profitability levels, which are reflected in the budgets.

26 Inventories

Year ended 31 December *€'000*	2005	2004	2003
Raw materials	3,424	2,885	3,023
Work in progress	1,585	688	902
Finished goods	2,851	3,217	3,643
Goods purchase for resale	25,906	13,490	18,918
Advance payments	1,058	762	990
Total	**34,824**	**21,042**	**27,476**

Raw materials, work in progress and finished goods relate to the manufacturing of the Group's own access and surveillance products. Goods purchased for re-sale are equipment purchased from third party manufacturers.

The increase in 2005 is essentially due to a large order that was shipped early January to an operator (impact on inventories at year-end of EUR 9.0m).

Year ended 31 December *€'000*	2005	2004	2003
Inventories at cost	43.229	29.578	38.838
Allowances	(8.405)	(8.536)	(11.362)
Total inventories at lower of cost and fair value less selling costs	**34.824**	**21.042**	**27.476**

27 Contracts in progress

There are two large networking projects to which the Group applies the accounting policies of IAS 11 Construction Contracts: the Astrid project in Belgium and the Ben Gurion project in Israel. The Astrid project is a contract for the construction of an integrated radio network for emergency services at federal level, combined with a computer-aided despatch system. The Ben Gurion contract is a system integrator's project for the Terminal 3 of the Tel Aviv airport, with focus on security and surveillance. At year-end 2004, the Ben Gurion project was substantially completed.
The Astrid project is in an advanced stage while further extensions to the contract remain possible.

Principal amounts included in the financial statements related to contract work:

Year ended 31 December *€'000*	2005	2004	2003
Turnover from construction contracts	5,143	8,841	19,886
Costs related to future activity ("contracts in progress")	374	4,665	8,263
Amounts due from customers related to construction contracts	5,713	7,771	14,226
Retentions on progress billings	4,318	4,144	2,846
Advances received on contract work	0	0	0

28 Trade and other receivables

Year ended 31 December *€'000*	2005	2004	2003
Trade receivables	236,144	190,213	182,334
Prepaid expenses	20,213	14,819	15,034
Other receivables	3,557	5,726	7,671
Total	**259,914**	**210,758**	**205,039**

Trade receivables are non-interest bearing.

29 Net cash position

Year ended 31 December *€'000*	2005	2004	2003
Cash and cash equivalents	19,883	21,648	65,754
Borrowings due within one year	(25,991)	(11,379)	(4,388)
Total	**(6,108)**	**10,269**	**61,366**

At year-end the Group disposes of EUR 71.9m of undrawn credit/borrowing facilities (2004: EUR 75.1m; 2003: EUR 85.0m).

30 Cash and cash equivalents

Year ended 31 December *€'000*	2005	2004	2003
Cash in current accounts and on hand	15,939	20,513	19,174
Short-term bank deposits	3,944	1,135	15,649
Commercial paper	0	0	30,931
Total	**19,883**	**21,648**	**65,754**

Cash in current accounts earns interest at floating rates, generally based on EURIBOR less 0.50% and averaging 1.68% during 2005. Short-term bank deposits relate to a deposit in CHF in order to hedge the natural position of Telindus SA (Switzerland). The average interest rate earned on bank deposits was 2.04% in 2005 (2004: 2.02%).

31 Borrowings

Borrowings repayment schedule

€'000	<1y	1y<x<5y	>5y	Total 2005
long-term bank loans	4,752	16,700	12,000	33,452
short-term bank loans	19,777		0	19,777
bank overdrafts	1,451		0	1,451
lease debts	11	32	0	43
other borrowings			0	0
Total at 31 December 2005	**25,991**	**16,732**	**12.000**	**54,723**

Detail of borrowings

Year ended 31 December	Currency	Interest rate	Maturity	2005 EUR'000	2004 EUR'000	2003 EUR'000
Bank loan of EUR 3.5m (Telcor/Group)	EUR	4.20% fixed	Dec'05-'07	(1,400)	(2,100)	(2,800)
Bank loan of EUR 1.1m (Luxembourg)	EUR			(52)	(172)	(285)
Bank loan of EUR 32.0m (Belgium)	EUR	3.78% fixed	Nov'05-'13	(32,000)		
Total long-term bank loans				**(33,452)**	**(2,272)**	**(3,085)**
Bank loan of HKD 30m (Hong Kong)	HKD	HIBOR+ margin	Jun'06	(3,369)	(2,852)	0
Bank loan of HKD 45m (Hong Kong)	HKD	HIBOR+ margin	Jun'06	(1,970)		
Bank loan of USD 5m (China)	USD	LIBOR+ margin	roll-over	(4,329)	(3,700)	0
Credit facility (Irisnet-Belgium)	EUR	2.76%	roll-over	(2,382)	(2,115)	(2,380)
Credit facility (Telcor)	EUR	2.76%	roll-over	(7,727)		
Total short-term bank loans				**(19,777)**	**(8,667)**	**(2,380)**
Bank overdrafts	EUR	EURIBOR+ margin	on demand	**(1,451)**	**(1,781)**	**(1,193)**
Lease debts	THB			**(43)**	**(52)**	**(16)**
Other borrowings	EUR				**(53)**	**(61)**
Total				**(54,723)**	**(12,825)**	**(6,735)**

Long-term bank loans

The EUR 3.5m bank loan was taken on by Telcor, the Group's coordination centre, to finance the construction of the Telindus GSM building in Ostend, Belgium. It is a 5-year loan at a 4.20% fixed interest rate with annual instalments of EUR 0.7m, payable in December of each year. The last instalment is due in December 2007.

For the financing of the acquisition of Arche Communications SAS, the Group turned its initial short-term borrowing position into a long-term bank loan of EUR 32m. It is a 8-year loan at a 3.78% fixed interest rate with bi-annual instalments of EUR2m, payable in May and November of each year. The last instalment is due in November 2013.

Short-term bank loans

The bank loans of HKD 30m and HKD 45m are undertaken by the Group's subsidiary in Hong Kong. They were originally repayable in June 2005, but have been extended until 30 June 2006. Interest is based on HIBOR plus margin.

The USD 5m bank loan is a roll-over loan in China. USD 5m is due in January 2006. Interest is based on LIBOR plus margin.

The Group's joint venture company Irisnet has a credit line of EUR 5.0m at its disposal, which is structured as a straight loan with a major Belgian bank. Draw-downs have short-term maturities and are usually renewed for the same amount (roll-over). At year-end Irisnet has drawn down EUR 4.8m on the facility (2004: 4.2m; 2003: 4.8m), of which 50% or EUR 2.4m is accounted for in the Telindus consolidated accounts, according to the proportional consolidation methods. The effective interest was 2.76% at year-end. 50% of the total loan is guaranteed by the Telindus Group and is deducted from the Group's credit line.

Bank overdrafts

The balance of bank overdrafts at year-end consists principally of an overdraft by the Group's Portuguese subsidiary of EUR 1.4m (2004: 1.8m; 2003: EUR 1.1m) on a EUR 2m credit line. Interests are calculated based on EURIBOR plus margin, resulting in an effective interest rate of 2.90% at year-end. In principle, the bank overdraft is repayable on demand.

32 Share Capital

Year ended 31 December *€'000*	2005	2004	2003
Share capital issued	(134,551)	(134,444)	(134,444)
Uncalled share capital	0	0	0
Share capital issued and fully paid	**(134,551)**	**(134,444)**	**(134,444)**

In March 2005, the 2001 warrant plan granted to employees was in the money and 31,070 warrants have been exercised. An equal number of new shares were issued. At the strike price of EUR 7.93, this resulted in an increase of share capital of EUR 0.1m and an increase of share premium of EUR 0.1m. The Board of Directors has the authority to increase share capital to a maximum amount of EUR 268,9m.

All shares are ordinary shares of the same class and have no par value. Shares can be bearer shares or nominative. All issued shares are fully paid. An exercise of share options under the warrant plans will lead to the issue of new shares. Consequently no shares have been reserved for satisfying obligations under share option plans. Refer also to note 38 on equity compensation benefits.

Reconciliation of the number of shares

Year ended 31 December	2005 Number of shares	2004 Number of shares	2003 Number of shares
Shares in issue at 1 January	39,000,000	39,736,930	40,436,930
New shares following capital increase	31,070	0	0
Shares cancelled during the year	(3,231,070)	(736,930)	(700,000)
Shares in issue at 31 December	**35,800,000**	**39,000,000**	**39,736,930**
Less: treasury shares held at 31 December	(64,279)	(3,230,349)	(986,003)
Shares outstanding at 31 December	**35,735,721**	**35,769,651**	**38,750,927**

33 Treasury shares

Year ended 31 December	2005 Number of shares	2004 Number of shares	2003 Number of shares	2005 €'000	2004 €'000	2003 €'000
At 1 January	3,230,349	986,003	1,443,488	(25,793)	(7,025)	(10,579)
Acquired during the year	65,000	2,981,276	242,515	(585)	(24,653)	(1,176)
Cancelled during the year	(3,231,070)	(736,930)	(700,000)	25,863	5,885	4,730
At 31 December	**64,279**	**3,230,349**	**986,003**	**(515)**	**(25,793)**	**(7,025)**

At 31 December 2004, the Group held 3,230,349 treasury shares, of a total of 39,000,000 shares in issue (8.3%). In March 2005, an additional 65,000 own shares were acquired. By resolution of the Extraordinary Shareholders Meeting, 3,231,070 treasury shares were cancelled on 24 June 2005, reducing the number of shares in issue to 35,800,000. At 31 December 2005, the Group held 64,279 treasury shares at a cost of EUR 0.5m, which is presented as a deduction from equity.

34 Revaluation reserves

The entire amount of revaluation reserves of EUR 179,6m (2004: 185.3m; 2003: EUR 113.9m) relates to the measurement at fair value of the available-for-sale investment in Mobistar. Refer to note 24.

35 Provisions

€'000	Pensions	Restructuring	Tax & legal claims	Other	Total
At 1 January 2005	2,354	1,112	642	825	4,933
Increases	746	9,254	112	0	10,112
Uses	(718)	(2,689)	(36)	(102)	(3,545)
Reversals	0	0	(307)	(17)	(324)
Change in consolidation scope	386		482		868
At 31 December 2005	**2,768**	**7,677**	**893**	**706**	**12,044**

The provision for pensions consists principally of a provision for post-employment benefits in Italy of EUR 1.3m (2004: EUR 1.4m ; 2003: EUR 1.4m) and a provision for early retirements in Belgium of EUR 0.8m (2004: 0.8m ; 2003: EUR 0.5m). Approximately EUR 0.7m (2004: 0.4m) is expected to be contributed during 2006 in respect of pensions. Refer to note 36 for more information on post-employment benefits. The provision for restructuring at 31 December 2005 of EUR 7.7m represents the remaining costs for redundancies to be incurred from the 2005 restructuring plans. The amounts are expected to be settled during 2006. Refer also to note 13 on restructuring charges.

The split current / non-current of cash outflows related to provisions is as follows:

€'000	Pensions	Restructuring	Tax & legal claims	Other	Total
Non-current	2.377	0	776	536	3.689
Current	391	7.677	117	170	8.355
Total	**2.768**	**7.677**	**893**	**706**	**12.044**

The degree of uncertainty about the amount or timing of the cash outflows in respect of items provisioned is low; the amounts and timing of settlement of the respective risks should not deviate significantly from what has been disclosed above. No reimbursements are expected nor recognised in respect of the risks provided for.

36 Post-employment benefits

The Group operates post-employment benefit plans of the defined benefit type in 3 countries. In 1 country they consist of funded pension plans for all employees (119 p.), and in 2 other countries they consist of a one-time post-employment benefit payable in accordance with local law.

Net periodic benefit income/(cost)

Year ended 31 December *€'000*	2005	2004	2003
Current service cost	(739)	(257)	(299)
Interest cost on benefit obligation	(300)	(193)	(254)
Expected return on plan assets	144	95	123
Employee's contribution	177	0	0
Amortization of gain/(loss)	(101)	513	(89)
Net periodic benefit income/(cost)	(819)	158	(519)

Net benefit liability

Year ended 31 December *€'000*	2005	2004	2003
Benefit obligation	(5,659)	(4,093)	(4,794)
Plan assets	3,830	2,521	2,386
Net liability	(1,829)	(1,572)	(2,408)

Movement in the net liability

Year ended 31 December *€'000*	2005	2004	2003
At 1 January	(1,627)	(2,408)	(2,811)
Net expense recognised	(819)	158	(519)
Change in scope of consolidation	(386)		
Payments made (+)	304		
Contributions made	699	678	922
At 31 December	(1,829)	(1,572)	(2,408)

Principal assumptions

Year ended 31 December *€'000*	2005	2004	2003
Discount rate	4.25%	5.0%	5.0%
Expected rate of return on assets	4.25%	5.0%	5.0%
Inflation rate	2.0%	2.0%	2.0%
Future salary increases	2-5%	2-4%	2-4%

37 Trade and other payables

Year ended 31 December *€'000*	2005	2004	2003
Trade payables	117,692	75,005	87,776
Advance billing	15,499	13,085	14,771
Remuneration and social security payable	27,976	18,707	17,960
Deferred income & accrued charges	47,866	36,979	38,767
Other	16,014	12,702	20,884
Total	**225,047**	**156,478**	**180,158**

Included in deferred income are government grants related to the construction of 3 buildings in Belgium for a total amount of EUR 1.4m (2004: 1.8m; 2003: EUR 1.8m). The grants are released to income over the useful life of the respective buildings, in proportion to the corresponding depreciation charge. The income from grants recognised in the 2005 income statement was EUR 0.3m (2004: EUR 0,2m; 2003: EUR 0.2m). The conditions attaching to the grants are mainly in respect of employment. There are no unfulfilled conditions that would cause repayment of the grants recognised. Other payables include VAT payable amounts and other non-income related taxes.

38 Equity compensation benefits

General conditions

The Group issued four warrant plans between 1998 and 2001, whereby warrants were granted to employees according to rules set by the Group's Remuneration Committee. Each warrant represents a right to purchase one newly issued share of the Company. The warrants are not entitled to dividends nor do they carry voting rights. The principal vesting requirement attached to the warrant plans is that the beneficiary is either still in employment by the Group or retired at the time of exercise.

Initially, the warrants had a maximum vesting period of 5 years and were exercisable in 3 equal parts during 3 exercise periods in the 4th and 5th year of the plan. Warrants that were not exercised during one period could be rolled forward to the next exercise period. In 2003, the Group decided to extend the vesting period of all warrant plans by 3 years: any warrants not exercised during the initial exercise periods in the 4th and 5th year of the plan, are still exercisable in the months of February and August of the 6th, 7th and 8th year of the plan. The extended exercise periods are marked as (*) in the table below.

The respective exercise prices of each plan are predefined and have been calculated as the average of the closing market prices of the underlying share during the 30 days preceding the date of the grant. Any exercise of warrants must be settled in cash.

Overview of outstanding warrants and vesting periods

Plan	Dec'98	Dec'99	Dec'00	Dec'01	Total
Exercise periods					
Feb'06	798,950	618,915	877,372	317,007	2,612,244
Aug'06	(*)	(*)	(*)	175,107	175,107
Feb'07	(*)	(*)	(*)	(*)	
Aug'07	(*)	(*)	(*)	(*)	
Feb'08		(*)	(*)	(*)	
Aug'08		(*)	(*)	(*)	
Feb'09			(*)	(*)	
Aug'09			(*)	(*)	
Total outstanding warrants	**798,950**	**618,915**	**877,372**	**492,114**	**2,787,351**
Ultimate exercise period	Aug'06	Aug'07	Aug'08	Aug'09	
Exercise price	19.92	20.82	20.44	7.93	

Reconciliation of the number of warrants

Plan	Dec'98	Dec'99	Dec'00	Dec'01	Total
Outstanding at 1 January 2005	**813,950**	**672,466**	**993,588**	**580,520**	**3,060,524**
Granted during the period	0	0	0	0	0
Forfeited during the period	(15,000)	(53,551)	(116,216)	(57,336)	(242,103)
Exercised during the period	0	0	0	(31,070)	(31,070)
Expired during the period	0	0	0	0	0
Outstanding at 31 December 2005	**798,950**	**618,915**	**877,372**	**492,114**	**2,787,351**
Exercisable at 31 December 2005	0	0	0	159,891	159,891

Plan	Dec'98	Dec'99	Dec'00	Dec'01	Total
Outstanding at 1 January 2004	**821,450**	**704,982**	**1,070,052**	**623,127**	**3,219,611**
Granted during the year	0	0	0	0	0
Forfeited during the year	(7,500)	(32,516)	(76,464)	(42,607)	(159,087)
Exercised during the year	0	0	0	0	0
Expired during the year	0	0	0	0	0
Outstanding at 31 December 2004	**813,950**	**672,466**	**993,588**	**580,520**	**3,060,524**
Exercisable at 31 December 2004	0	0	0	0	0

During the year 2005, 31,070 warrants have been exercised. At year-end 2005 there were 2,787,351 warrants outstanding (2004: 3,060,524; 2003: 3,219,611). The decrease is due to employees leaving the Group.

Recognition and Measurement

All existing warrant plans having been granted before 7 November 2002, the Group has not retrospectively applied the recognition and measurement principles of IFRS 2 Share-based Payment. This implies that the income statement is not charged with the benefit received in return for the warrant grants. Nevertheless, an accrual is recognised for social security payable on gains that arise from the exercise of warrants if, based on the closing share price at the balance sheet date, the warrants are in-the-money. Based on the closing price EUR of 16.90 per share at 31 December 2005 and the known bid price of EUR 16.60, warrants of the December 2001 plan are in the money. Taxes have been accrued of EUR 537k (2004: EUR 30k; 2003: nil).

39 Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

Year ended 31 December	2005	2004	2003	2005	2004	2003
€'000	Carrying amount			Fair value		
Cash and cash equivalents	19,883	21,648	65,754	19,883	21,648	65,754
Available-for-sale investments	196,049	201,565	130,492	196,049	201,565	130,492
Trade receivables	236,144	190,213	182,334	236,144	190,213	182,334
Trade payables	(117,692)	(75,005)	(87,776)	(117,692)	(75,005)	(87,776)
Borrowings	(54,723)	(12,825)	(6,735)	(54,723)	(12,825)	(6,735)
Forward exchange contracts	0	(338)	(400)	0	(338)	(400)
Currency options	0	(1)	0	0	(1)	0
Currency swaps	(73)	141	370	(73)	141	370

As can be read from the table, there are no differences between carrying amounts and fair values.

Hedging activities

At 31 December 2005, the Group held several foreign exchange contracts to hedge future cash outflows in US dollar. The hedged items concern recognised liabilities (trade payables and accrued trade payables), unrecognised firm commitments (purchase orders made) and highly probable future transactions (from anticipated orders). Since the Group does not apply special hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement, the hedged items that are recognised at year-end, are translated at year-end rate. Fair value changes on the forward exchange contracts are taken directly to net profit or loss for the period.

The following exchange contracts are outstanding at year-end 2005:

Forward exchange contract			Maturity	Exchange rate
Buy	USD'000	2,500	10 January 2006	EUR / USD 1.19
	USD'000	6.968	24 January 2006	GBP / USD 1.74
	USD'000	6,908	24 January 2006	GBP / USD 1.73
	USD'000	3,000	25 January 2006	EUR / USD 1.19
	USD'000	254	10 February 2006	GBP / USD 1.84
	USD'000	3,000	24 February 2006	EUR / USD 1.20
	USD'000	215	24 February 2006	EUR / USD 1.21
	USD'000	400	24 February 2006	EUR / USD 1.20
	USD'000	5,268	27 February 2006	GBP / USD 1.76
	USD'000	170	10 March 2006	EUR / USD 1.18
	USD'000	620	24 March 2006	EUR / USD 1.19
	USD'000	500	24 March 2006	EUR / USD 1.19
Total	**USD'000**	**29,803**		

In addition to the forward exchange contracts, the Group held some currency options at year-end for USD 23,7m, which mature in January and February 2006. The options combine a call and a put and aim to hedge (on macro level) future US dollar cash outflows, similar as with forward exchange contracts.

To cover intra-group loans outstanding in foreign currency, the Group has entered into the following currency swaps to hedge the exposure to the exchange risk when the loans will be reimbursed:

Currency swaps	Maturity	Exchange rate
HKD'000 30,000	27 January 2006	EUR / HKD 9.200
GBP'000 16,050	3 January 2006	EUR / GBP 0.687

40 Joint ventures

Telindus France Telecom – Temporary Association

Telindus France Telecom (referred to as "Irisnet") is a temporary association in which the Group is a 50% joint venture partner. Irisnet is a joint project with France Telecom to build and manage a high-speed telecommunication network for governmental administrations within the Brussels region, in order to improve and simplify the telecommunication between the different offices of the region. In 2010, the network is transferred to the government.
The company is accounted for according to the proportional consolidation method. The Group is not subject to any significant contingencies or commitments related to Irisnet.

Key figures related to the joint venture (at the Group's share of 50%) are:

Year ended 31 December *€'000*	2005	2004	2003
Total assets	3,427	4,810	5,579
Total liabilities	(11,092)	(10,662)	(9,676)
Total turnover	3,872	3,981	1,922
Net Profit/(loss)	**(1,813)**	**(1,755)**	**(1,779)**

E-Port Communication Systems NV

During 2004, the Group has taken a 50% interest in E-Port Communications Systems NV. E-Port has been constituted to install and maintain a surveillance network in the port of Ostend, Belgium. The company is accounted for according to the proportional consolidation method. The Group is not subject to any significant contingencies or commitments related to E-Port.

Key figures related to the joint venture (at the Group's share of 50%) are:

Year ended 31 December *€'000*	2005	2004	2003
Total assets	1,282	1,368	-
Total liabilities	(307)	(416)	-
Total turnover	350	110	-
Net Profit/(loss)	**64**	**(89)**	**-**

41 Off-balance sheet information

Contingencies
There are no significant contingent liabilities.
The Group still has a claim of EUR 10m against Iaxis NV in the Netherlands. Following the bankruptcy in 2001 of Iaxis Ltd, a UK telecom operator and customer of Telindus, the Group had filed a claim for losses incurred against Iaxis NV in the Netherlands, the parent company of Iaxis Ltd. In December 2003, the courts in Amsterdam held Iaxis NV liable to pay damages of USD 7.6m plus interest. However Iaxis NV disagrees with the verdict and has appealed. Given the appeal and the fact that the financial position of Iaxis NV itself is uncertain – the company is also in liquidation – the Group has not recognised a receivable in respect of these damages.

Guarantees
In respect of borrowings, credit facilities, performance bonds on projects and office rental agreements, the Group has guarantees with banks in a total amount of EUR 11.6m (2004: EUR 12.6m; 2003: EUR 15.7m).

Capital commitments
There are no significant capital commitments.

Put/call to increase Group's stake in subsidiaries
In respect of the acquisition of SCI-Modem Kft in December 2003, certain arrangements were made in respect of the remaining shares that were not acquired by Telindus.
The 49.0% of shareholding of SCI-Modem Kft, in the hands of certain managers of the entity are exercisable in 3 parts in June 2006, June 2007 and June 2008.

In respect of Telindus Ltd (Hong Kong), the 5.5% of remaining shares (after the acquisition after balance sheet date of an additional 19% - see note 42) are held by one director of the entity. In case of termination of employment of a manager, Telindus can purchase, and the manager can sell, the shareholding of that manager.

In both arrangements, the acquisition price is calculated using valuation methods that should result in a fair market value. Because the potential call right largely offsets the potential obligation from the seller's put right to the remaining shares, it is likely that the acquisition of the remaining shares will take place. Additionally, as a fair market price will be payable, management considers that the fair value (and fair value changes) of these put/call arrangements is deemed to be insignificant and therefore they have not been accounted for as financial instruments within the scope of IAS 39 Financial Instruments: Recognition and Measurement.

42 Events occurring after the balance sheet date

On the 6th of January 2006 all shareholders represented in the board of Telindus Group nv tendered their shares (i.e. 21.5 % of shares in issue) in the public offer launched by Belgacom SA/NV [Euronext Brussels:BELG]. Telindus Group NV also tendered the treasury shares (i.e. 0.18% of shares in issue) to the Belgacom offer.
After an extension of the public offer until the 15th of February 2006 Belgacom announced that it held 98.31 % of the shares of Telindus Group NV, after which it proceeded with a squeeze-out bid. After the closing of this squeeze-out bid on 28 March 2006, all warrants are transferred to Belgacom automatically and by operation of the law. Belgacom has paid a price between between EUR 0.27 and EUR 9.55 per warrant, depending on the class of warrant.

Consequently to the squeeze-out bid, Telindus Group NV has been delisted from Euronext Brussels as from the 14th of March 2006. In line with the put/call rights to increase Group's stake in subsidiaries (see 39 above), Telindus Group acquired 19.0% of shares of Telindus Ltd (Hong Kong) from its former management,at no cost after it has left the company. The transaction materialised in February 2006, whereby Telindus increased its stake in Telindus Ltd (Hong Kong) from 75.5% to 94.5%.

In January 2006, the Group acquired the remaining 4% minority shares in Telindus Thailand Ltd at a consideration of EUR 0.1m. In course of 2005, the Group had acquired already an additional stake of 16% by paying uncalled capital of EUR 0.7m, including the minority shareholders' part.

43 Related parties

Related party relationships

A list of the Company's subsidiaries is enclosed in note 44. Information on joint ventures is found in note 40 above. Based on the received transparency declarations, the major shareholders of the Telindus Group at 31 December 2005 were: (on a non-diluted basis)

• Cordier Group	21,5%
• Mellon HBV	5,4%
• Trident European Fund	3,2%

However, this group of shareholders tendered their shares in the public offer launched by Belgacom SA/NV on the 6th of January 2006. See note 42 above.

Related party transactions

The company paid 64,700 EUR to an independent director who acted as a special adviser in relation to the defence against the public take-over bid launched by Belgacom in September 2005.

Overview of total remuneration received (including pension plan benefits):

Year ended 31 December *€'000*	2005	2004	2003
Non-executive directors	355	126	119
Executive Committee and executive directors	2,156	2,590	2,095

At 31 December 2005, the total number of warrants held by key management personnel are:

Number of warrants:	Executive Directors	Executive Committee
Plan December 1998	26,550	90,000
Plan December 1999	46,350	22,500
Plan December 2000	46,750	16,000
Plan December 2001	13,584	11,300

The termination clauses foreseen in the employment contracts of the Executive Committee members differ, with a maximum exposure of 24 months gross salary. In case of no specific clause, the Belgian laws apply.

More information on related parties can be found in the Corporate Governance section of this annual report.

44 List of companies

Fully consolidated companies

Company Name	Address	Country	VAT number	Group ownership
Telindus NV	Geldenaaksebaan 335 3001 Heverlee	Belgium	442.257.642	100.0%
Telindus Sourcing SA	Parc Scientifique Boulevard Initialis 1 7000 Mons	Belgium	457.839.802	100.0%
TelCor Services International CVBA	Geldenaaksebaan 335 3001 Heverlee	Belgium	466.917.220	100.0%
Telindus BV	Savannahweg 19 3542 AW Utrecht	The Netherlands	007.081868.B01	100.0%
Telindus International BV	Savannahweg 19 3542 AW Utrecht	The Netherlands	-	100.0%
Telindus SA	Route d'Arlon 81– 83 8009 Strassen	Luxembourg	1223.5468	64.7%
Telectronics SA	Rue de l'Industrie 1 4823 Rodange	Luxembourg	1003.8784	64.7%
Telindus Computer Home Sàrl	Route d'Arlon 8050 Bertrange	Luxembourg	1475.9028	64.7%
Beim Weissenkreuz SA	Alleé Marconi 16 2120 Luxembourg	Luxembourg	19.902.206.178	64.1%
Telindus PSF SA	2 Rue des Mines 4244 Esch sur Alzette	Luxembourg	1775.5016	64.7%
Telindus France SA	10, Avenue de Norvège ZA de Courtaboeuf 91962 Les Ulis	France	19.348.505.256	100.0%
Groupe Telindus France SA	10, Avenue de Norvège ZA de Courtaboeuf 91962 Les Ulis	France	65.334.041.084	100.0%
Telindus Security Research Centre SAS	Rue Galliéni 47 92130 Issy Les Moulineaux	France	67 421 201 146	100.0%
Groupe Telindus France Holdco	10, Avenue de Norvège ZA de Courtaboeuf 91962 Les Ulis	France	443.430.269	100.0%
Arche Communication SAS	10, Avenue de Norvège ZA de Courtaboeuf 91962 Les Ulis	France	381.740.109	100.0%
Telindus Ltd	Hatchwood Place Farnham Road Odiham, Hants RG29 1AB	United Kingdom	823.8530.29	100.0%
Telindus Surveillance Solutions Ltd	Brookmount Court, Unit D Kirkwood Road CB4 2QH Cambridge	United Kingdom	719.9842.81	100.0%
Telindus GmbH	Sylvesterallee 2 22525 Hamburg	Germany	1498.79.328	100.0%
Telindus SpA	Via della Maglianella 65/D 00166 Roma	Italy	018.689.410.04	100.0%
Telindus SA	Plaza Ciudad de Viena 6 28040 Madrid	Spain	A8064.4081	100.0%
Telindus Comunicacoes e Servicos SA	Rua Alfonso Praça 30 Edifício torre de Monsanto 1495-061 Algés	Portugal	503.270.350	100.0%

Fully consolidated companies (continued)

Company Name	Address	Country	VAT number	Group ownership
Telindus SA	Chemin des Primevères 45 1701 Fribourg	Switzerland	405.059	100.0%
Telindus Networks SA	Chemin des Primevères 45 1701 Fribourg	Switzerland	141.262	100.0%
Telindus Hungary Networkintegrator Kft (dormant)	Lehel u. 11 Floor 3 1134 Budapest	Hungary	49121702	100.0%
Telindus GmbH (dormant)	Schönbrunnerstrasse 22 1220 Wien	Austria	10263301-2-42	100.0%
Telindus (Thailand) Ltd	Bond Street 473 Muang Thong Thani 3 Pakkred, Nonthaburi 11120 11120 Bangkok	Thailand	301115 1082	96.0%
Telindus Ltd	Three Exchange Square 9th floor Central Hong Kong	Hong Kong	-	75.5%
Yunnan Telindus Technology Co Ltd	Room C22-23 Innovation Park Jinkai Road 3 Kunming Nation-class Economic & Technological Development Zone Kunming, Yunnan	China	-	75.5%
Telindus Hungary Information & Security Network Ltd	Záhony U. 7 Graphisoft Park 1031 Budapest	Hungary	01-09-070453	51.0%
Netconcept GmbH	Wilhelm-Theodor-Römheld-Strasse 14 55130 Mainz	Germany	26/663/0110/0	100.0%
Vzw Tel-Art	Geldenaaksebaan 335 3001 Heverlee	Belgium		-

Proportionally-consolidated companies

Company Name	Address	Country	VAT number	Group ownership
Telindus France Telecom (temporary association)	Kol. Bourgstraat 149 1140 Brussel	Belgium	545.698.541	50.0%
E-Port Communication Systems NV	Slijkensesteenweg 2 8400 Oostende	Belgium	864.818.940	50.0%

Non-consolidated investments

Company Name	Address	Country	VAT number	Group ownership
Mobistar NV	Kol. Bourgstraat 149 1140 Brussel	Belgium	456.810.810	4.7%
Incubateur Numérique Wallon SCRL	Avenue de Stassart 16 5000 Namur	Belgium	865.277.018	3.1%

Telindus Group NV - Company accounts

Summary income statement for the year ended 31 December

€'000

	2005	2004	2003
Operating revenue	**19,680**	**20,275**	**10,547**
Turnover	18,325	19,348	10,404
Self produced assets	659	0	0
Other operating income	696	927	143
Operating charges	**(28,895)**	**(21,178)**	**(9,703)**
Raw materials, consumables and goods for resale	0	0	(485)
Services and other goods	(18,709)	(12,089)	(5,029)
Payroll expenses	(7,770)	(6,839)	(3,902)
Depreciation of fixed assets	(2,504)	(2,340)	(247)
Allowances for inventories, contracts-in-progress and amounts receivable	5	13	(23)
Provisions for risks and charges	0	85	0
Other operating charges	-2	(8)	(17)
Operating profit / (loss)	**(9,215)**	**(903)**	**844**
Financial result	**7,620**	**52,234**	**698**
Financial income	15,942	60,860	4,897
Financial charges	(8,322)	(8,626)	(4,199)
Profit / (loss) before tax and extraordinary items	**(1,595)**	**51,331**	**1,542**
Extraordinary result	**92**	**(44,939)**	**62,431**
Extraordinary income	92	9,859	63,711
Extraordinary charges	0	(54,798)	(1,280)
Profit / (loss) before tax	**(1,503)**	**6,392**	**63,973**
Income taxes	**0**	**0**	**0**
Net profit / (loss) for the year	**(1,503)**	**6,392**	**63,973**
Accumulated profits / (losses) to be appropriated	**195,485**	**221,767**	**226,061**
Net profit (loss) for the year	(1,503)	6,392	63,973
Retained earnings brought forward	196,988	215,375	162,088
Appropriation of accumulated profits / (losses)	**195,485**	**221,767**	**226,061**
Transfer to reserves	585	24,653	5,983
Retained earning carried forward	194,537	196,988	215,375
Dividend	0	0	4,578
Director's emoluments	363	126	125

Summary balance sheet as at 31 December

€'000

	2005	2004	2003
Fixed assets	**819,330**	**807,593**	**836,021**
Intangible fixed assets	6,609	5,101	153
Tangible fixed assets	490	668	360
Financial fixed assets	812,231	801,824	835,508
Current assets	**4,312**	**29,309**	**9,255**
Amounts receivable	3,285	2,274	2,002
Current investments	515	25,794	7,024
Cash & cash equivalents	11	22	18
Deferred charges & accrued income	501	1,219	211
Total assets	**823,642**	**836,902**	**845,276**
Equity	**495,759**	**523,242**	**522,86**
Share capital	134,551	134,444	134,444
Share premium	143,197	143,058	143,058
Reserves	23,473	48,752	29,983
Retained earnings	194,538	196988	215,375
Provisions	**173**	**258**	**537**
Provisions for pensions	118	202	287
Provisions for risks and charges	55	56	250
Debts	**327,710**	**313,402**	**321,879**
Long-term debt, non-current portion	0	0	0
Long-term debt, current portion	0	0	0
Short-term financial debts	315,829	307,101	311,478
Trade amounts payable	8,503	4,187	1,359
Advances received	0	79	361
Amounts payable from taxes, remuneration and social security	2,255	950	774
Other amounts payable	1,095	984	7,829
Accrued charges & deferred income	28	101	78
Total equity and liabilities	**823,642**	**836,902**	**845,276**

Statutory auditor's report

to the general meeting of shareholders of Telindus Group nv on the consolidated financial statements for the year ended 31 December 2005

In accordance with the legal and statutory requirements, we report to you on the performance of the audit mandate which has been entrusted to us.

We have audited the consolidated financial statements for the year ended 31 December 2005, prepared in accordance with International Financial Reporting Standards, as adopted for application in the European Union, and with the legal and regulatory requirements applicable in Belgium, which show a balance sheet total of EUR 724,850 thousands and a loss for the year of EUR 20,600 thousands. We have also carried out the specific additional audit procedures required by law.

The preparation of the consolidated financial statements and the assessment of the information to be included in the consolidated directors' report, are the responsibility of the board of directors.

Our audit of the consolidated financial statements was carried out in accordance with the auditing standards applicable in Belgium, as issued by the Institut des Reviseurs d'Entreprises / Instituut der Bedrijfsrevisoren.

Unqualified audit opinion on the consolidated financial statements

The above mentioned auditing standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In accordance with those standards, we considered the group's administrative and accounting organisation, as well as its internal control procedures. Company officials have responded clearly to our requests for explanations and information. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the accounting policies, the consolidation principles, the significant accounting estimates made by the company and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

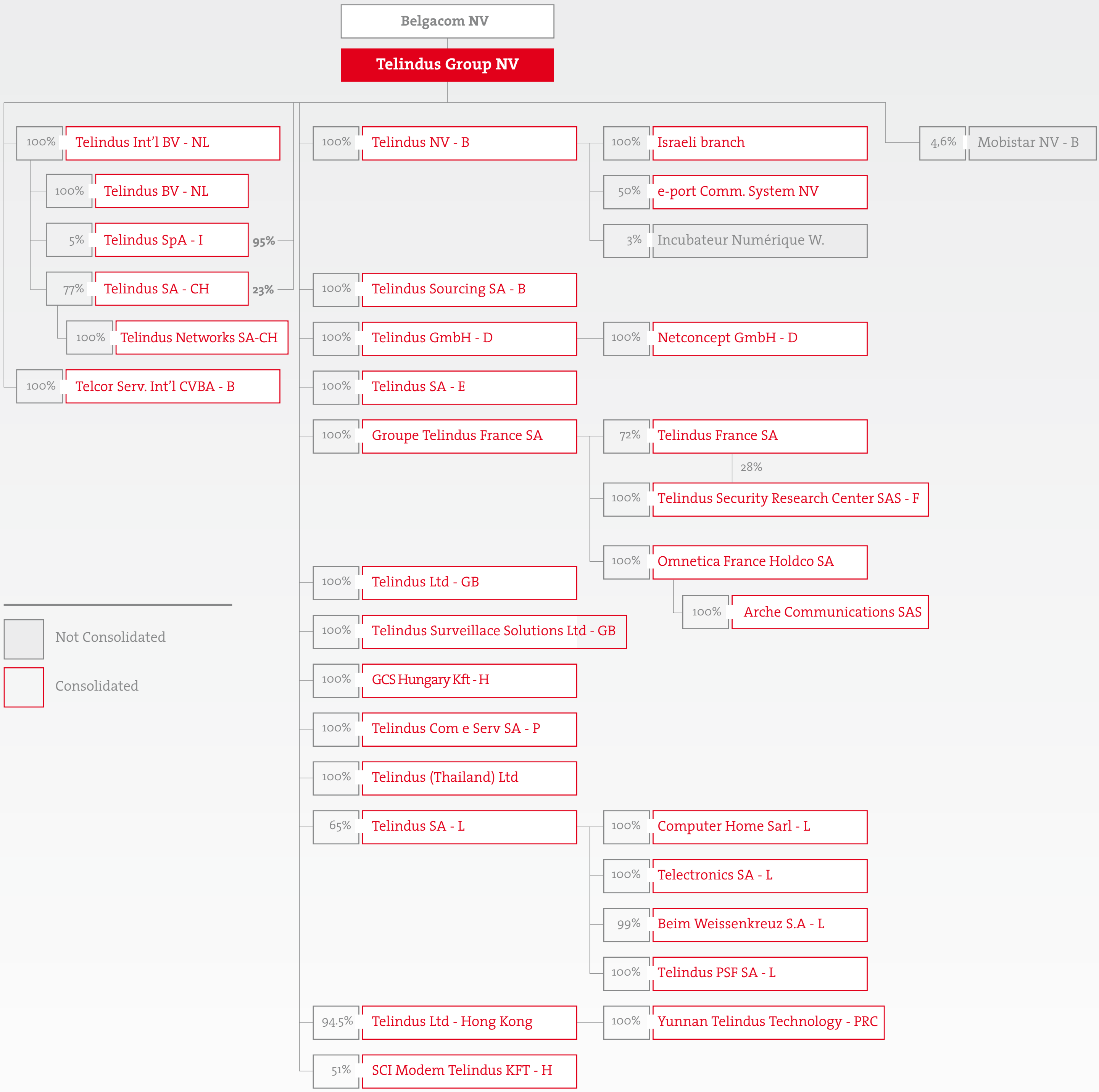
In our opinion, the consolidated financial statements for the year ended 31 December 2005 give a true and fair view of the group's assets, liabilities, financial position, results of operations and cash flows, in accordance with International Financial Reporting Standards, as adopted for application in the European Union, and with the legal and regulatory requirements applicable in Belgium.

The consolidated directors' report includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and of its situation, its foreseeable evolution or the significant influence of certain facts on its future development.
We can nevertheless confirm that the matters disclosed do not present any obvious contradictions with the information of which we became aware during our audit.

Brussel, 28 April 2005
Ernst & Young Bedrijfsrevisoren BCV
Statutory auditor, represented by

Jan De Luyck, Partner

Telindus Group
Situation as of 28.03.2006



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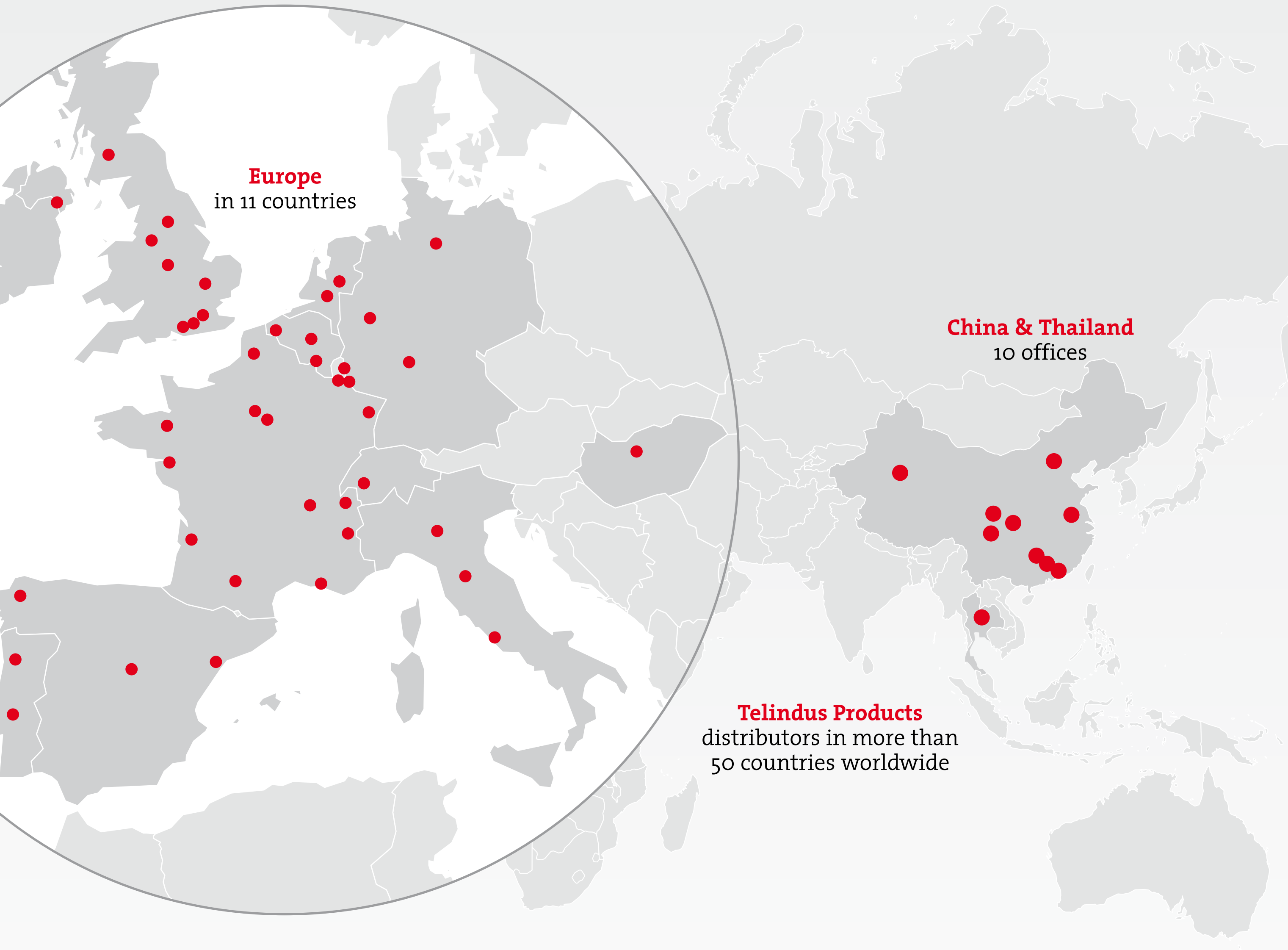

Europe
in 11 countries
China & Thailand
10 offices
Telindus Products
distributors in more than
50 countries worldwide

History

Turnover
€'000

600,000
500,000
400,000
300,000
200,000
100,000
0

1969
Activities start as Ingenieursbureau Koning & Hartman changes its name to Telindus. John Cordier, a marconist by training, is appointed as a manager.

1971
Swiss Gardy SA becomes majority shareholder. Telindus starts distributing Racal Milgo products, a pioneer in telecom equipment.

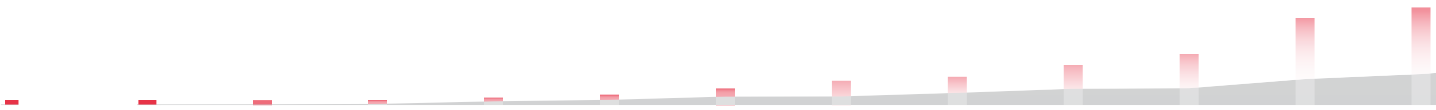
1973
Major projects for Kredietbank and Belgian Post go live. Installation of largest datatransmission network to date in Europe.

1975
Telindus launches ambitious R&D investment strategy. Foundation of Telindus High-Tech Institute.

1976
French Merlin Gérin acquires Gardy, thus becoming majority shareholder in Telindus.

1979
Telindus establishes first foreign subsidiary in Luxembourg, through partnership with steel group ARBED. Ambition is to become Europe's number 1 network integrator. John Cordier becomes General Manager. Deliveries to PTT's in Sweden, Denmark, Finland, Italy & UK.

1980
Telindus France is started. Telindus launches first baseband modem: Crocus. Breakthrough contract with Japan's NTT Docomo



"Telindus has been a true pioneer in networking for the internet. Today, networks are an essential part of business, education, government and home communications, and IP networking solutions are the foundation of these networks, allowing individuals and companies to increase productivity, improve customer satisfaction, and strengthen competitive advantage.

At Cisco, our vision is to change the way people work, live, play, and learn. With its dynamic and entrepreneurial culture, Telindus has always been a partner in helping to realize that vision."

John Chambers
President and CEO
Cisco Systems

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